COVER SHEET

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S.E.C. Registration No.

XURPAS INC.

(Company's Full Name)

UNIT 804 ANTEL 2000 CORPORATE CENTER 121 VALERO ST. SALCEDO VILLAGE, MAKATI CITY

(Business Address : No. Street City / Town / Province)

MARK S. GORRICETA (CORPORATE SECRETARY)

Contact Person

(632) 8889-6467

Company Telephone Number

1 2	**3 1**	**20-IS**	**2ND WEDNESDAY OF AUGUST**	
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

	N/A	**N/A**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

NOTICE OF 2023 ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Xurpas Inc. (the "Company") will be conducted virtually through the Zoom Videoconference facility [Zoom ID: 892 3556 9083] on August 9, 2023 at 9 o'clock in the morning with the following agenda:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of Minutes of the Previous Meeting held on August 9, 2022
4. Message of the Chairman
5. Annual Report of the President and Approval of the 2022 Audited Financial Statements
6. Amendment of By-Laws
7. Election of Directors and Independent Directors
8. Appointment of External Auditor
9. Ratification of Previous Acts of the Directors and Management
10. Other Matters
11. Adjournment

The Company will **not** conduct a face-to-face or in person meeting. Subject to validation procedures, stockholders may attend the meeting *remotely*.

For **Registration** to participate and/or vote in absentia, please visit: http://asm2023.xurpas.com. Registration starts on July 1, 2023. Stockholders may also submit the required forms by sending an email to the Corporate Secretary at corpsec@xurpas.com or by post or courier to the principal office of Xurpas.

For individual stockholders who wish to attend the virtual meeting, you can register through the link provided above. Please also submit a certification from your broker on the number of Xurpas shares you own as of record date. For corporate stockholders who has a representative who will be attending the meeting, you can also register through the link provided above, together with the corresponding certification from your broker on the number of Xurpas shares that the company owns as of record date, and a secretary's certificate attesting to the authority of the representative to attend and vote at the stockholders' meeting.

Stockholders who will join by proxy may also visit and register in the same link.

PSE Trading Participants / Brokers may also submit the following to the Corporate Secretary (corpsec@xurpas.com): (1) the list of stockholders (together with the e-mail addresses of the stockholders) who have indicated that they wish to attend the meeting remotely and/or vote *in absentia* or through remote communication; and (2) a certification on the number of the shares held by the said stockholders as of Record Date. **The Company is not soliciting proxies.**

Only stockholders of record at the close of business day on **June 30, 2023** ("Record Date") are entitled to notice of meeting, attendance to the live webcast of the meeting, and to vote through remote communication or *in absentia*. **Attendance and voting shall be subject to validation procedures.**

June 8, 2023

ATTY. MARK S. GORRICETA
Corporate Secretary and Chief Legal Officer

All submissions shall be subject to validation procedures of Xurpas Inc. The deadline for Registration, Voting *in absentia* and Proxy Submission is on **August 1, 2023**. Validation of all submitted ballots for the voting *in absentia* and proxies shall be done on **August 4, 2023**. The security code for the virtual stockholders' meeting for each registered stockholder shall be sent via e-mail to the provided e-mail address on **August 4, 2023.** If you need any assistance, you may contact us at corpsec@xurpas.com.

Access to Xurpas Inc.'s Notice and Agenda, Definitive Information Statement, Proxy and other documents required for the Annual Stockholders Meeting may be accessed through Xurpas Inc.'s website at http://www.xurpas.com and via PSE Edge. You can also request for soft or hard copies of the meeting materials through an email request to corpsec@xurpas.com.

Please submit all questions and comments to corpsec@xurpas.com on or before August 4, 2023, 5:00 p.m.

EXPLANATION OF AGENDA ITEMS

Call to Order

The Chairman of the Meeting will formally open the meeting at approximately 9:00 in the morning. Live webcast of the Meeting will be accessible via Zoom ID: 892 3556 9083]. Stockholders who have registered via http:/asm2023.xurpas.com will be given the security code through e-mail on August 4, 2023.

Certification on Notice and Quorum

Xurpas Inc. (the "**Company**") shall distribute the Definitive Information Statement through: (a) a disclosure with the Philippine Stock Exchange Electronic Disclosure Generation Technology ("PSE EDGE"); and (b) posting at the Xurpas' website (http://www.xurpas.com).

In accordance with the Corporation's By-Laws, stockholders' meetings may be conducted by way of remote communication or *in absentia* and voting exercised through remote communication or *in absentia*. Accordingly, the Company shall provide a link which will be accessed by the stockholders to participate and vote *in absentia* on the matters presented for resolution at the meeting.

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

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

1. Stockholders may attend the meeting remotely provided that they have submitted the registration requirements via http:/asm2023.xurpas.com **("Registration").** The deadline for Registration is on **August 1, 2023.**
2. Stockholders may also submit their proxies through http:/asm2023.xurpas.com. The **deadline for submission of Proxy is on August 1, 2023, 5:00 P.M.** The validation of the proxies shall be conducted on **August 4, 2023.**
3. Questions and comments may be sent prior to or during the meeting at corpsec@xurpas.com and shall be limited to the items in the Agenda. Deadline for submission of questions and comments is on **August 4, 2023, 5:00 P.M.**
4. Stockholders who have registered to participate in the meeting by remote communication shall be included in determining the quorum, together with the stockholders who voted *in absentia* and submitted their proxy.
5. Voting
   5.1. Stockholders may cast their votes by submitting their ballots via http:/asm2023.xurpas.com
   5.2. Stockholders may issue a Proxy authorizing the Chairman of the meeting to vote on their behalf via http:/asm2023.xurpas.com
6. The Corporate Secretary shall tabulate and validate all votes received on August 4, 2023.
7. The meeting proceedings shall be recorded in audio format and uploaded in the Company's website within seven (7) business days from the meeting.

Approval of the Minutes of the Previous Meeting

The minutes of the meeting held on August 9, 2022 are attached in the Information Statement and posted at the company website.

Message of the Chairman

The Chairman of the Board, Mr. Jonathan Gerard A. Gurango, shall deliver his message to the stockholders of the Company.

Annual Report of the President

The President, Mr. Alexander D. Corpuz, shall deliver a report to the stockholders on the performance of the Company in 2022 and for the first quarter of 2023.

Amendment of By-Laws

On May 11, 2023, the Board of Directors approved the amendment to the following provision of the by-laws: Deletion of Article V, Section 2(a) to remove from the functions of the President the power to preside at the meetings of the stockholders, and renumbering of the enumeration of the functions of the President. The foregoing is subject to the approval of the board of directors.

Election of Directors and Independent Directors

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

(1) Jonathan Gerard A. Gurango
(2) Alexander D. Corpuz
(3) Fernando Jude F. Garcia
(4) Wilfredo O. Racaza
(5) Imelda C. Tiongson, *Independent*
(6) Bartolome S. Silayan, Jr., *Independent*
(7) Christopher P. Monterola*, Independent*
(8) Jonathan Juan DC Moreno*, Independent*

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

Appointment of External Auditor

Sycip Gorres Velayo & Co. (SGV & Co.) has been nominated as the Company's external auditor for the fiscal year 2023.

Ratification of previous acts of the Directors and Management

All previous acts of the Board and Management from August 5, 2022 to May 15, 2023 are provided in Annex G of the Information Statement. The foregoing matters shall be subject to the ratification of the stockholders.

XURPAS INC.
2023 Annual Stockholders' Meeting
August 9, 2023
Instructions for Attendance to the Stockholders' Meeting in absentia, Voting in Absentia and Submission of Proxy

Please prepare the following:

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

Stockholders of Record as of June 30, 2023 are entitled to attend the virtual Stockholders' Meeting and Vote in Absentia. Register via http:/asm2023.xurpas.com

Registration and Voting *in absentia* starts on July 1, 2023
Deadline for Registration, Voting *in absentia* and/or Submission of Proxy is on August 1, 2023.

Registered Stockholders of Xurpas Inc. as of Record Date will receive their security code for the virtual Stockholders' Meeting via e-mail on August August 4, 2023.

The meeting will be accessible (live) on August 9, 2023, at 9:00 AM via Zoom Videoconference facility (Zoom ID: 892 3556 9083)

You may contact us at corpsec@xurpas.com if you need any assistance.
Xurpas Inc. will **not** conduct a face-to-face or in person meeting. The stockholders may attend the meeting *remotely* through a videoconference facility.

XURPAS INC.
REGISTRATION FORM,
VOTING IN ABSENTIA AND/OR PROXY FORM
To be accomplished via http:/asm2023.xurpas.com
Registration Starts on July 1, 2023

I. Registration

For Individual Shareholder	*Please fill up*	**For Corporate Shareholders**	*Please fill up*
Name		Corporate Name	
Contact Number		Name of Authorized Representative	
E-mail Address		Contact Number	
		E-mail Address	

For Individual Stockholder: Valid Government-Issued Identification Card For Corporate Shareholders: Valid Government-Issued Identification Card of the Authorized Representative	*Please upload*
Broker's Certification (*if applicable*)	*Please upload*
Secretary's Certificate (*for Corporate Shareholders*)	*Please upload*

(Yes or No)	I hereby certify that I am a stockholder of Xurpas Inc. as of Record Date (**June 30, 2023**) and I signify my intention to attend the virtual stockholders' meeting on **August 9, 2023** at 9:00 AM. The instructions to attend the stockholders' meeting and security code will be sent to you in the e-mail address you have indicated herein on **August 4, 2023.**

II. Voting *in Absentia* or Issuance of Proxy

Please choose one (1)			
Voting in Absentia *Please accomplish Ballot*		**Proxy** I, being a stockholder of Xurpas Inc. constitutes and appoints the Chairman of the meeting to be my proxy, to represent and vote all shares registered in my name of, and which I beneficially own, at the annual meeting of the stockholders on August 9, 2023 at 9:00 a.m. and any adjournment(s) and postponement(s) thereof, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.	

III. **Ballot**

	Matters for Approval	**For***	**Against***	**Abstain**
1.	Approval of Minutes of Previous Meeting held on August 9, 2022			
2.	Annual Report and Approval of the 2022 Audited Financial Statements			
3.	Amendment of By-Laws			
4.	Election of Directors and Independent Directors			
	• Jonathan Gerard A. Gurango			
	• Alexander D. Corpuz.			
	• Fernando Jude F. Garcia			
	• Wilfredo O. Racaza			
	• Bartolome S. Silayan, Jr., *Independent*			
	• Imelda C. Tiongson, *Independent*			
	• Christopher P. Monterola*, Independent*			
	• Jonathan Juan DC Moreno*, Independent*			
5.	Appointment of External Auditor			
	• Sycip Gorres Velayo & Co.			
6.	Ratification of previous acts of the Directors and Management			

**indicate number of shares; otherwise, we will assume that you are voting for ALL shares registered under your name.*

	Other Terms and Conditions (You will not be able to proceed with the submission if any item is left blank)
	In case of an account with *joint owners*, or an account in an *and/or capacity*, I hereby certify that I have secured the consent of all other owners in the submission of this Ballot.
	In case of a corporate shareholder, I hereby certify that I am an authorized representative of the corporation and I am duly authorized to submit this Proxy.
	Stockholder's data will be collected, stored, processed and used exclusively for the purposes of electronic registration, voting in absentia and/or submission of Proxy for the Electronic Stockholders' Meeting of Xurpas Inc. In order to meet privacy obligations under the Data Privacy Act of 2012, Stockholder's registrations will be stored in accordance with the statutory retention periods. Detailed information of Xurpas Inc.'s Data Privacy Policy is provided in http://www.xurpas.com.
	If the Form is signed and returned in blank, the shares represented by the proxy will be voted in favor of all the foregoing actions.
	A Form that is returned without a signature shall not be valid.

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

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

[Name and Signature of Stockholder]

REMINDER:

This Registration Form shall be accomplished and submitted **on or before August 1, 2023 5:00 p.m**. Stockholders may also accomplish this Registration Form and submit directly to corpsec@xurpas.com together with a valid government-issued identification card, certification from the Broker (for scripless shares) and Secretary's Certificate (for corporate shareholders). Validation of proxies shall be held on August 4, 2023. Security Code will be sent to the e-mail of the stockholders who have submitted their registration on August 4, 2023. Notarization of this Registration Form is not required.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **XURPAS INC.**

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A200117708**

5. BIR Tax Identification Code **219-934-330**

6. **Unit 804 Antel 2000 Corporate Center 121 Valero St.**
   Salcedo Village, Makati City **1227**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(02) 8889-6467**

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

   Date: August 9, 2023, Wednesday
   Time: 9:00 a.m.
   Place: The meeting shall be held at its principal office - Unit 804 Antel 2000 Corporate Center 121 Valero St. Salcedo Village, Makati City the presiding officer and virtually for the other attendees.

   Zoom Meeting ID: 892 3556 9083

Registration and Voting in Absentia and/or Proxy Submission	Registration will start on July 1, 2022	http://asm2023.xurpas.com
Annual Stockholders' Meeting	Live on August 9 2022, 9:00 A.M.	Videoconference Facility Zoom Meeting ID: 892 3556 9083 The Security Code will be sent via e-mail on or before August 4, 2023.

9. Approximate date on which the Information Statement is first to be sent or given to security holders **July 10, 2023**

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **Not Applicable**
Address and Telephone No. **Not Applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**2,054,615,059**

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [✓] No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

1,797,700,660 common shares of the Corporation are listed with the Philippine Stock Exchange.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

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

Date:	**August 9, 2023, Wednesday**
Time:	**9:00 a.m.**
Place:	Unit 804 Antel 2000 Corporate Center 121 Valero St. Salcedo Village, Makati City **Stockholders' may attend virtually via Zoom Videoconference Facility:** Zoom Meeting ID: 892 3556 9083

Registration and Voting in Absentia and/or Submission of Proxy	Registration starts on July 1, 2023	http://asm2023.xurpas.com
Annual Stockholders' Meeting	Live on August 9, 2023, 9:00 A.M.	Zoom Meeting ID: 892 3556 9083 The Security Code will be sent via e-mail on or before August 4, 2023.

Complete mailing address of registrant:	**Unit 804 Antel 2000 Corporate Center 121 Valero St. Salcedo Village, Makati City, 1227**
Approximate mailing date of this information statement and Proxy Form:	**July 10, 2023 to be distributed via PSE EDGE and posted at http://www.xurpas.com**

Item 2. **Dissenters' Right of Appraisal**

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

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

(a) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of corporate existence;

(b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

(c) in case of merger or consolidation; and

(d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

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

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

a. The incumbent directors and executive officers, those nominated for election as independent director, and their associates, have no substantial interest in any matter to be acted upon at the meeting other than election to the office.

b. No director has informed the Corporation of his opposition to any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. **Class of voting shares**

Number of outstanding shares as of June 30, 2023	:	**2,054,615,059 common shares**
Number of votes per share	:	**One vote each share of stock held as of record date of June 30, 2023**

b. **Record date**

All stockholders of record as of June 30, 2023 are entitled to notice and to vote at the meeting.

c. **Election of directors and cumulative voting rights**

The election of directors and independent directors should be by ballot and cumulative voting is allowed. A stockholder (a) may vote such number of his/her shares for as many persons as there are directors to be elected, or (b) may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or (c) may distribute them on the same principle among as many candidates as he/she shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.

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

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

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

1. **Security ownership of certain record and beneficial owners**

As of May 31, 2023, the Corporation is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Corporation's capital stock except as set forth below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Fernando Jude F. Garcia** North Lane,	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	18.26%

	Jem 2 Subd., Tandang Sora, Quezon City (Director, Chief Technology Officer and Treasurer)				
Common	**Raymond Gerard S. Racaza** One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City (Principal Shareholder)	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	18.29%
Common	**Nico Jose S. Nolledo** Urdaneta Tower, Ayala Avenue, Makati City (Principal Shareholder)	Nico Jose S. Nolledo	Filipino	464,875,041 (Direct) and 39,169,763 (Indirect)[1]	24.53%
Common	**PCD Nominee Corp. (Filipino)**	PCD participants acting for themselves and for their customers[2]	Filipino	540,130,330 (Direct)	25.29%
Common	**PCD Nominee Corp. (Non-Filipino)**	PCD participants acting for themselves and for their customers	Non-Filipino	207,454,345 (Direct)	10.10%

As of May 31, 2023, 14.30% of the outstanding shares of the Corporation are held by foreigners.

[1] Shares registered in the name of Eden International Holdings Pte. Ltd.
[2] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Corporation has no record relating to the power to decide how the shares held by PCD are to be voted.

2. **Security ownership of directors and management**

As of May 31, 2023, the Corporation's directors and executive officers own the following number of shares:

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Jonathan Gerard A. Gurango** Chairman and Chief Executive Officer	Filipino	169,399 (Direct)	0.01%
Common	**Alexander D. Corpuz** Director, President, Chief Finance Officer and Chief Information Officer	Filipino	1,000 (Direct)	Nil
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	18.26%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.12%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Common	**Christopher P. Monterola** Independent Director	Filipino	1,000,000	Nil
Total (Directors and Officers as a Group)			378,626,757	18.43%

3. **Voting Trust Holders of 5% or More**

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

4. **Changes in Control**

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

Item 5. **Directors and Executive Officers**

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

Effective June 6, 2022, Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and as a Director for personal reasons. He is no longer nominated as director, but will remain as an Adviser to the Board of Directors.

On August 9, 2022, the Corporation held its 2022 Annual Stockholders' Meeting wherein seven (7) directors were elected as such for the ensuing year. Two (2) out of the seven (7) directors are independent.

For the 2023 Annual Stockholders' Meeting, the following are nominated as directors of the Corporation:

Directors	Nationality	Position	Age	Year Position was Assumed
Jonathan Gerard A. Gurango	Filipino	Executive Director (Chairman and Chief Executive Officer)	64	2022[3]
Alexander D. Corpuz	Filipino	Executive Director (President, Chief Finance Officer and Chief Information Officer)	56	2019
Fernando Jude F. Garcia	Filipino	Executive Director (Treasurer and Chief Technology Officer)	49	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	74	2001
Imelda C. Tiongson	Filipino	Independent Director	57	2020
Bartolome Silayan, Jr.	Filipino	Independent Director	56	2020
Christopher P. Monterola	Filipino	Independent Director	46	2022
Jonathan Juan DC Moreno	Filipino	Independent Director	52	N/A

The table below sets forth the Company's executive officers in addition to its executive directors listed above:

Name	Age	Citizenship	Position
Mark S. Gorriceta	45	Filipino	Corporate Secretary and Chief Legal Officer
Angela J. Along	45	Filipino	Chief Compliance Officer and Chief Risk Officer
Jose Vicente T. Colayco	53	Filipino	Chief Operating Officer

Background Information

Jonathan Gerard A. Gurango, 64, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango was appointed as the Chairman of the Board and the Chief Executive Officer of the Corporation effective June 6, 2022. 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

[3] Mr. Jonathan Gerard A. Gurango was elected as Independent Director of Xurpas Inc. from 2014 to 2022.

acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, The Digital Business Training Center Inc., TendoPay, The Parent Inc. and Mijares-Gurango Craniofacial Foundation. 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.

Alexander D. Corpuz, Filipino, 56, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 49, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 74, has been a Director of the Corporation since November 2001. Mr. Racaza has 49 years of marketing and finance experience under his belt. He worked with Mobil Oil Philippines for 15 years developing New Business through Resale Outlets and servicing Direct Commercial Consumers Accounts. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent top agency sales awards. He has been a consistent awardee at GAMA Philippines (General Agents and Managers Association) 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. He is a CPA (Certified Public Accountant).

Imelda C. Tiongson, 57, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and she also sits in several Boards as Independent Director namely Chairperson of Prulife UK Ph, Seedin Technologies Inc., Alipay Philippines. She is also part of the Bangko Sentral ng Pilipinas Open Finance Oversight Committee Transition Group representing the Fintech Industry. In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD), Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Womenbiz Ph. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education.

She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. Ms. Tiongson also participated in the technical working groups which drafted several digital/fintech related laws, the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010. Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome S. Silayan Jr., 56, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Christopher P. Monterola, 46, Filipino, has been an independent director of the Corporation since November 2022. He is currently the Head, Professor, and Aboitiz Chair in Data Science of the Aboitiz School of Innovation, Technology, and Entrepreneurship. He is also the Executive Managing Director and Principal Scientist of the Analytics, Computing, and Complex Systems Laboratory at the Asian Institute of Management and an Academician at the National Academy of Science and Technology.

Jonathan Juan DC Moreno, 52, Filipino, has been nominated as an independent director of Xurpas. He is currently the President and Chief Executive Officer of AF Payments Inc. From 2014 to 2021, he was the Chief Strategy Officer of Metro Retail Stores Group Inc. (MRSGI). He was also affiliated with Palladium Group, Asia-Pacific from 2011 to 2015, and was the President and CEO of the Institute of Corporate Directors from 2010 to 2011. He was likewise the Vice President – Head, Corporate Governance Office and Chief Risk Officer of the Philippine Stock Exchange from 2007 to 2010. A former Navy officer and a graduate of the Philippine Military Academy, JJ has an MBA from the Asian Institute of Management and Melbourne Business School (as an exchange student). He has likewise taken special courses in Yale School of Management, U.S.A and Nottingham University Business School, U.K.(under the Chevening Program). He is a graduate of the Advance Management Program at the IESE Business School, University of Navarra in Barcelona, Spain, was part of the First SGV-MAP NexGen CEO Transformative Leadership Program, a 9-month program for high-performing new and future CEOs below 50.

Mark S. Gorriceta, 45, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was the Chief Compliance Officer of the Corporation from 2018 to October 12, 2022. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Jose Vicente T. Colayco, 53, Filipino, joined Xurpas in 2011 and is currently the Chief Operating Officer of the Company. Prior to this, he also served as the Chief Business Development Officer and

Treasurer of the Company. Before joining Xurpas, Mr. Colayco was the co-founder and co-managing director of Digital Storm, Inc., a developer of online casual game platforms. He was a Managing Director 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. Before that, he was 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.

Angela Sigrid J. Along, 45, Filipino, is currently the Chief Compliance Officer and Chief Risk Officer of the Company. She joined the Company in December 2020 as Xurpas Group's general legal counsel. She was previously the Chief Corporate Attorney of the Metropolitan Waterworks and Sewerage System, a lawyer at the Department of Environment and Natural Resources, and has held various legal positions in Singapore and Myanmar. She graduated from the University of the Philippines Diliman with a Bachelor of Arts Degree in Communication Research in 1999 and Bachelor of Laws in 2005. She also holds a Masters in Law from the Singapore Management University.

Attendance in Board Meetings

The attendance of the directors in the meetings of the Board held in 2022 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Jonathan Gerard A. Gurango	12/12	100%
Alexander D. Corpuz	12/12	100%
Fernando Jude F. Garcia	12/12	100%
Wilfredo O. Racaza	12/12	100%
Mercedita S. Nolledo	12/12	100%
Imelda C. Tiongson	12/12	100%
Bartolome S. Silayan, Jr.	12/12	100%
Christopher P. Monterola	2/2[4]	100%
Total Number of Meetings	**12**	**-**

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

Director	Executive	Corporate Governance	Board Risk Oversight	Nomination	Audit and RPT	Personnel and Compensation
Jonathan Gerard A. Gurango	C			M		
Fernando Jude F. Garcia	M					C
Alexander D. Corpuz	M					M

[4] *Mr. Christopher P. Monterola was only appointed as independent director on November 14, 2022.*

Mercedita S. Nolledo				M	M	
Wilfredo O. Racaza			M	C		M
Imelda C. Tiongson		C	M		M	
Bartolome S. Silayan, Jr.		M			C	
Christopher P. Monterola		M	C	M		M
Jose Vicente T. Colayco	M					

C- Chairman
M- Member

Nomination of Directors

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

- Jonathan Gerard A. Gurango
- Alexander D. Corpuz
- Fernando Jude F. Garcia
- Wilfredo O. Racaza
- Bartolome Silayan, Jr., *Independent*
- Imelda C. Tiongson, *Independent*
- Christopher P. Monterola, *Independent*
- Jonathan Juan DC Moreno, *Independent*

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

The Nomination Committee is headed by Mr. Wilfredo O. Racaza and its members are: Mr. Christopher P. Monterola, Mr. Jonathan Gerard A. Gurango and Atty. Mercedita S. Nolledo.

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

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

Independent Directors

The following are the nominees to act as Independent Directors:

- Bartolome Silayan, Jr.
- Imelda C. Tiongson
- Christopher P. Monterola
- Jonathan Juan DC Moreno

Mr. Alexander D. Corpuz nominated the incumbent independent directors. Mr. Corpuz and each of the nominated independent director are not related by consanguinity or affinity up to the fourth civil degree.

The certifications signed by the Independent Directors are attached herein as Annex "B1-B4".

(ii) **Significant Employees**

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

(iii) **Family Relationships**

Mr. Nico Jose S. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, a director. Mr. Nico Jose S. Nolledo resigned as Chairman and Director effective June 6, 2022.

Considering the foregoing, there are no family relationships between the current members of the Board and the key officers.

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

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

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

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

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

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes. See Note 19 of the Corporation's consolidated financial statements for transactions as of December 31, 2021.

On January 20, 2022, Xurpas entered into a Subscription Agreement with one of its principal shareholders, Nico Jose S. Nolledo, wherein it will issue new Xurpas Shares for a subscription price of Php100,000,000.10. On March 21, 2022, upon receipt of full payment of the Subscription Price, the

Corporation recorded the issuance of 181,818,182 common shares (the "Subscription Shares") on its corporate books; however, the Subscription Shares have not been listed with the Philippine Stock Exchange as of date.

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

As of date, Mr. Fernando Jude F. Garcia owns 18.26% of the Corporation. He actively manages the Corporation's business activities, and is currently a director and officer in the Corporation

The other two (2) founders, Mr. Nico Jose S. Nolledo and Mr. Raymond Gerard S. Racaza have resigned from any management role and currently owns 42.82% of the Corporation.

Xurpas Inc. has no parent company.

(vii) **Resignation of directors**

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and as a Director effective June 6, 2022.

Mr. Raymond Gerard S. Racaza, Mr. Alvin D. Lao and Mr. Nico Jose S. Nolledo do not have any known disagreement with the Corporation's affairs and they resigned for personal reasons.

Item 6. **Compensation of Directors and Executive Officers**

a. Executive Compensation. (Xurpas to update)

Year	Position	Salary	Bonus	Other	Total
2023 (Projected)	Chief Executive Officer, President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Chief Operations Officer, Head of Technical Operations	₱25,022,199	N/A	N/A	₱25,022,199
	Board of Directors	N/A	N/A	1,880,000	1,880,000
2022 (Actual)	Chief Executive Officer, President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Chief Operations Officer, Head of Technical Operations	18,746,509	N/A	N/A	18,746,509
	Board of Directors	N/A	N/A	1,880,000	1,880,000
2021 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	19,840,353	N/A	N/A	₱19,840,353
	Board of Directors	N/A	N/A	1,465,000	1,465,000
2020 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	19,840,353	N/A	N/A	19,840,353
	Board of Directors	N/A	N/A	2,670,000	2,670,000
2019 (Actual)	President/ Chief Finance Officer, Treasurer/ Chief Technology Officer, Head of Sales, Head of Technical Operations, Head of Accounts	19,840,353	N/A	N/A	19,840,353
	Board of Directors	N/A	N/A	2,080,000	2,080,000

2018 (Actual)	President/ Chief Finance Officer, Head of Sales, Head of Technical Operations, Head of Accounts	17,240,353	N/A	N/A	17,240,353
	Board of Directors	N/A	N/A	1,865,000	1,865,000

Total	2023 (Estimate)	₱25,022,199	N/A	₱1,880,000	₱26,902,199
	2022	₱18,746,509	N/A	₱1,880,000	₱20,626,509
	2021	₱19,840,353	N/A	₱1,465,000	₱21,305,353
	2020	₱19,840,353	N/A	₱2,670,000	₱22,510,353
	2019	₱19,840,353	N/A	₱2,080,000	₱21,920,353
	2018	₱17,240,353	N/A	₱1,865,000	₱19,105,353

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

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

b. Compensation of Directors

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

c. Other Arrangements

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

<table>
<tr><td>Title and Amount of Securities</td><td>A minimum of 0.5% to a maximum of 1.5% of the outstanding capital stock of the Corporation's common share are reserved for the Plan, but in no case shall the aggregate number of shares represented by outstanding options exceed 1% of fully-diluted shares, inclusive of shares represented by such outstanding options.</td></tr>
<tr><td>Price</td><td>Not in any case be less than the Fair Market Value ("FMV") of the Corporation's shares, or such lower purchase price as may be allowed under the rules of the PSE or the SEC subject to adjustment in case of change in the FMV of the Corporation's shares by virtue of stock dividends, stock splits or any of the events stated in Article 5.2 of the Plan. However, in no case shall it be less than the subscription price of ₱3.97 at which the Corporation's shares were initially offered for sale to the public in December 2014.</td></tr>
<tr><td>Option Expiry Date</td><td>3rd Year anniversary of the option grant date.</td></tr>
<tr><td>Exercise of Privilege</td><td><table><tr><td>During the first year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr><tr><td>During the second year of the effectivity</td><td>1/3 of the total grant</td></tr></table></td></tr>
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<table>
<tr><td></td><td><table><tr><td>of the grant</td><td></td></tr><tr><td>During the third year of the effectivity date of the grant</td><td>1/3 of the total grant</td></tr><tr><td colspan="2">or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".</td></tr></table></td></tr>
<tr><td>Participants[5]</td><td>All such full time and regular employees of the Corporation and such other qualified persons determined by the Personnel and Compensation Committee from those recommended by the Executive Committee from a list of all such full-time and regular employees of the Corporation, its subsidiaries and/or affiliates are eligible to participate in the Plan.

The Committee shall have the sole discretion to determine from the list recommended employees who will be granted options under the Plan, taking into consideration certain criteria such as, but not limited to the exceptional performance of the employee or his/her valuable contribution to the business of the Corporation, its subsidiaries and/or affiliates</td></tr>
</table>

As of date, there has been no regulatory approval secured in relation to the proposed Employee Stock Option Plan. The foregoing application has also been placed on hold by the Board of Directors.

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

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

e. Warrants and Options Outstanding

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

Item 7. Independent Public Accountants

SyCip, Gorres, Velayo & Company ("SGV & Co.") has been its external auditor since 2008.

Under Rule 68 of the Securities Regulation Code (amended in 2019), the rule on the rotation of external auditors shall be based on the Code of Ethics for Professional Accountants in the Philippines as adopted by the Board of Accountancy and Professional Regulation Commission and such other standards as may be adopted by the SEC. **The "time-on" period for the signing partner/auditor is 7 years.**

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

The handling partner who conducted the audit for the calendar year 2022 is Mr. Dolmar C. Montañez. He has been the handling partner for the audit of the Corporation' since calendar year 2017. He is also the recommended partner-in-charge for calendar year 2023.

The Board approved the re-appointment of SGV & Co. as the Corporation's external auditor for 2023. The re-appointment of SGV will be presented to the stockholders for their approval at the annual stockholders' meeting.

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

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.94 million and ₱ 2.93 million for 2022 and 2021, respectively. The audit fees for 2023 are estimated to be at ₱3.23 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns. Non-audit fees for Xurpas, which is already included in the aggregate amount above, totaled to ₱0.16 million in 2021.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There are no matters to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the registrant.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

a. Management Report (includes Management's Discussion and Analysis) is attached as Annex "D";
b. 2022 Annual Report is attached as Annex "E"; and
c. Unaudited Consolidated Financial Statements as of March 31, 2023 is attached as Annex "F".

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

The proposed acquisition of shares in Wavemaker Group Inc. was terminated in December 20, 2021. Accordingly, there are no matters or actions to be taken up in the meeting with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

a. Approval of the Minutes of the Previous Stockholders' Meeting held on August 9, 2022

The Minutes of the 2022 Annual Stockholders' Meeting held last August 9, 2021 is attached as Annex "A" herein and is available in the Corporation's website.

Requirements under Section 49 of the Revised Corporation Code of the Philippines

i. Appraisals and performance report for the board and the criteria and procedure for assessment

The Company observes its Manual on Corporate Governance and various committee charters in determining the effectiveness of the Board and the Committees. The Manual on Corporate Governance and Committee Charters can be accessed in the Company's website.

The Board conducts an annual self-assessment of its performance, including the performance of the Chairman, and individual directors. Each Committee shall also conduct a self-assessment of its performance.

The Board has in place a system that provides criteria and process to determine the performance of the Board, individual directors, and committees. The Corporate Governance Committee oversees the periodic performance of the Board and its committees as well as executive management and conducts an annual self-evaluation of its performance.

ii. Directors' disclosures on self-dealing and related party transactions

The Company has implemented a policy wherein within three (3) trading days upon change in ownership of securities, the board of directors (the "Board") and key officers are required to inform the Chief Compliance Officer and/or Corporate Secretary of such trades and accordingly submit SEC Form 23-B. The Chief Compliance Officer and/or Corporate Secretary shall submit the said form with the regulatory bodies (Securities and Exchange Commission and Philippine Stock Exchange).

The Company also observes its Material Related Party Transactions (RPT) Policy and Guidelines which is in compliance with SEC MC No. 10, series of 2019. The RPT Policy covers all RPTs including the Material RPTs meeting the materiality threshold as defined therein, between the Company and a Related Party or between a subsidiary/affiliate of the Company and a Related Party. Related Party shall pertain to an entity or person as defined by this policy.

Related Parties has been defined to refer to the Company's directors, officers, substantial shareholders and their spouses and relatives within the 4th civil degree of consanguinity or affinity, legitimate or common-law, if these persons have control, joint control or significant influence over the Company. It also covers the Company's parent, subsidiary, fellow subsidiary, associate, affiliate, joint venture or an entity that is controlled, jointly controlled or significantly influenced or managed by a person who is a related party.

b. Approval of 2022 Audited Financial Statements

The 2022 Consolidated Audited Financial Statements is attached as Annex "E".

c. Ratification of acts of the Directors and Management

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

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

Item 16. **Other Matters**

1. The minutes of the special stockholders' meeting held on August 9, 2022 will be presented to the stockholders for approval. See attached Annex "A" for a copy of the minutes of the previous meeting.

2. The Corporation will present its Audited Financial Statements for the year ending December 31, 2022 and the Interim Report as of March 31, 2023 to inform the stockholders on the current business operations of the Corporation. The following shall likewise be included in the discussion:

    a. An assessment of the corporation's performance;
    b. A discussion on the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;
    c. An explanation of the dividend policy and the reasons for nonpayment thereof; and
    d. Discussion on related party transactions.

3. Prior to election of directors, their profiles, which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representations in other corporations shall be presented to the stockholders. The attendance report of the Board shall likewise be included in the discussion.

Item 17. Amendment of Charter, By-Laws or Other Documents

On May 11, 2023, the Board approved the amendment to the following provision of the By-Laws:

Deletion of Article V, Section 2(a) to remove from the functions of the President the power to preside at the meetings of the stockholders, and renumbering of the enumeration of the functions of the President.

The Board approved the amendment to reconcile Article V Section 2 with Article II Section 6 which states that the meetings of the stockholders shall be presided over by the Chairman of the Board, or in his absence, by a chairman to be chosen by the stockholders.

The following are the proposed amendments in the Corporation's By-Laws:

	Current	Proposed Amendment
Article V, Section 2	Section 2. President – The President may be the Chief Executive Officer of the corporation and shall exercise the following functions: a) To preside at the meetings of the stockholders; b) To initiate [...]	Section 2. President – The President may be the Chief Executive Officer of the corporation and shall exercise the following functions: **a)** To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation; **b)** To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors; **c)** To implement the administrative and operational policies of the corporation under his supervision and control; **d)** To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries; **e)** To oversee the preparation of the budgets and the statements of accounts of the corporation; **f)** To represent the corporation at al functions and proceedings; **g)** To execute on behalf of the corporation agreements instruments interests of the corporation which require the approval of the Board of Directors; **h)** To make reports to the Board of Directors and stockholder;

		i) To sign certificates of stock; **j)** To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Item 18. Other Proposed Action

These are the following proposed actions to be taken during the meeting on August 9, 2023:

1. Review and Approval of Minutes of the Previous Meeting held on August 9, 2022
2. Approval of 2022 Audited Financial Statements
3. Amendment of By-Laws
4. Election of Directors and Independent Directors
5. Appointment of External Auditor
6. Ratification of previous acts of the Directors and Management

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

Item 19. **Voting Procedures**

- Vote Required

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

- Method of Voting

  - The Board has approved that the conduct of the Annual Stockholders' Meeting on August 9, 2021 shall be through remote communication or in absentia (Virtual Meeting). Consequently, the Board also approved that a stockholder shall be allowed to vote by remote communication or in absentia. The stockholder may also appoint the Chairman of the meeting as his proxy.

A stockholder may register, vote *in absentia* or submit his proxy via http://asm2023.xurpas.com. Deadline for registration, voting in absentia and proxy submission is on August 1, 2023, 5:00 PM. A stockholder voting electronically or in *absentia* shall be deemed present for purposes of quorum. Proxies may also be submitted via e-mail at corpsec@xurpas.com. Deadline for submission of Proxies is on August 1, 2023, 5:00 p.m. Validation of proxies shall be done on August 4, 2023.

Item 20. Participation of Shareholders by Remote Communication

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

- To register, vote *in absentia* and submit proxies for the stockholders' meeting, please visit http://asm2023.xurpas.com. Deadline for registration is on August 1, 2023, 5:00 pm.

- The live webcast of the meeting shall be accessible through Zoom Meeting ID: 892 3556 9083. The stockholders who have registered through Xurpas' Registration Link shall receive the security code via e-mail on August 4, 2023. Only stockholders who have successfully registered on or before August 1, 2023, 5:00 PM shall be allowed to attend the virtual stockholders' meeting on August 9, 2023.

Undertaking to Provide Annual Report

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

MR. ALEXANDER D. CORPUZ
President
Xurpas Inc.
Unit 804 Antel 2000 Corporate Center 121 Valero St.
Salcedo Village, Makati City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on June 8, 2023.

By:

ATTY. MARK S. GORRICETA
Corporate Secretary and Chief Legal Officer

ANNEXES

ANNEX A	Minutes of Special Stockholders' Meeting
ANNEX B1 – B4	Certifications from Independent Directors
ANNEX C	Certification from Corporate Secretary
ANNEX D	Management Report (includes Management's Discussion and Analysis)
ANNEX E	2022 Consolidated Audited Financial Statements
ANNEX F	Unaudited Consolidated Financial Statements as of March 31, 2023
ANNEX G	Schedule of Acts of Directors / Management for Ratification

MINUTES OF THE 2022 ANNUAL STOCKHOLDERS' MEETING OF XURPAS INC.
August 9, 2022 at 9:00 A.M.
Via Zoom Teleconference Facility

The 2022 Annual Stockholders' Meeting (the "**Meeting**") of **Xurpas Inc.** (the "**Corporation**" or the "**Company**") was held on August 9, 2022, via Zoom Teleconference. The Chairman of the Meeting, Mr. Alexander D. Corpuz, presided the meeting and was present at Xurpas' principal office located at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227.

Stockholders Present:
Total No. of Shares of Stockholders Present/Represented by Proxy: **1,219,336,758**
Percentage of Shares Present & Represented by Proxy: **59%**

Directors and Officers Present:

Mr. Jonathan Gerard A. Gurango	Chairman
Mr. Alexander D. Corpuz	President, Chief Finance Officer and Chief Information Officer
Mr. Fernando Jude F. Garcia	Treasurer and Chief Technology Officer
Atty. Mercedita S. Nolledo	Director
Mr. Wilfredo O. Racaza	Director
Ms. Imelda C. Tiongson	Independent Director
Mr. Bartolome S. Silayan, Jr.	Independent Director
Atty. Mark S. Gorriceta	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer

Others Present:

The representatives from SyCip Gorres Velayo & Co., the Corporation's external auditor, were also present during the meeting.

I. CALL TO ORDER

After the Philippine National Anthem, Mr. Alexander D. Corpuz ("**Mr. Corpuz**"), the President of the Corporation and Chairman of the meeting pursuant to the Corporation's By-Laws, called the Meeting to order. He welcomed the stockholders, members of the board of directors (the "**Board**") and the officers of the Corporation to the 2022 Annual Stockholders' Meeting.

He informed the stockholders that the Meeting shall be recorded.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary, Atty. Mark S. Gorriceta ("**Atty. Gorriceta**"), certified that the notice of the time, date, mode of conduct and agenda of the Meeting was sent through delivery by courier to stockholders of record, a disclosure via the PSE Edge Portal and was made available on the Corporation's website. He stated that the stockholders were notified of the meeting in accordance with the By-Laws and applicable rules of the Securities and Exchange Commission. He likewise certified that stockholders owning Fifty-Nine Percent (59%) of the outstanding shares as of Record Date are present via remote communication or through proxy. Therefore, there is a quorum for the Meeting.

Upon certification by Atty. Gorriceta, Mr. Corpuz announced that the Meeting was duly convened and ready to proceed with its business.

III. PROCEDURE FOR DISCUSSION AND VOTING

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

Procedure for Discussion

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

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

Procedure for Voting

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

He said that in accordance with the Definitive Information Statement of the Corporation, the deadline for the submission of the ballots and/or proxies was last August 1, 2022, 5:00 P.M. Consequently, the Corporation tabulated all votes on August 4, 2022.

Atty. Gorriceta also stated that it is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online. Atty. Gorriceta went on to explain that each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders are allowed to cumulate their votes and the candidates receiving the highest votes will be declared elected.

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

IV. APPROVAL OF THE MINUTES OF THE 2021 ANNUAL STOCKHOLDERS' MEETING

Mr. Corpuz then proceeded with the first item on the agenda, which is the approval of the minutes of the Annual Stockholders' Meeting held on August 11, 2021.

Atty. Gorriceta presented to the stockholders the number of stockholders present, and the list of directors and officers who attended the previous stockholders' meeting. Atty. Gorriceta explained that procedure for discussion at the last stockholders' meeting. He stated that the stockholders had the opportunity to email their questions and comments at corpsec@xurpas.com. Questions and comments were then read aloud and addressed during the Question and Answer Period, which took place after all matters for approval have been discussed.

Atty. Gorriceta then explained the procedure for voting at the last stockholders' meeting, wherein each stockholder was also given an opportunity to cast their votes by submitting their ballots or proxy via the online registration link circulated by the Corporation. In accordance with the filed Definitive Information Statement of the Corporation, the deadline for the submission of the ballots and/or proxies was last August 4, 2021. Consequently, the Corporation tabulated all votes last August 6, 2021. It is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online.

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

Further to this, Atty. Gorriceta stated that copies of the minutes of the Special Annual Stockholders' Meeting held last August 11, 2021 have been uploaded on the Corporation's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

The matters approved in the 2021 Annual Stockholders' Meeting are the following:

Description	**# of Shares (For)**	**% of Total Outstanding Shares**
Approval of Minutes of Special Stockholders' Meeting held on November 27, 2020.	1,075,777,239	99.97%
Approval of the 2020 Annual Report and Audited Financial Statements for the period ended December 31, 2020	1,075,777,239	99.97%
Election of Directors (Mr. Nico Jose S. Nolledo, Mr. Alexander D. Corpuz, Mr. Fernando Jude F. Garcia, Mr. Wilfredo O. Racaza, Atty Mercedita S. Nolledo, Mr. Jonathan Gerard A. Gurango, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr.)	1,075,777,239 - 1,075,878,239	99.97% - 99.98%
Appointment of External Auditor – Sycip Gorres Velayo & Co.	1,075,878,239	99.98%
Ratification of Previous Acts of Directors and Management (2019 to October 29, 2020)	1,075,777,239	99.97%

Atty. Gorriceta then said that the stockholders present unanimously approved the minutes and adopted the following resolution:

"**RESOLVED**, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on August 11, 2021."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	**1,219,336,758**	59%

V. MESSAGE OF THE CHAIRMAN

Jonathan Gerard A. Gurango ("Mr. Gurango"), Chairman of the Board and Chief Executive Officer proceeded with his message.

Mr. Gurango shared that the outgoing Chairman, Mr. Nico Jose S. Nolledo, declared that Xurpas is increasingly a B2B Company. Mr. Gurango confirmed that Xurpas intends to continue to be a B2B Software Company. Xurpas' objective is to grow this business predictably and profitably. Xurpas intends to grow the business by curating a regional marketplace of B2B Software Services & Products.

The geographical boundaries of the regional marketplace will include the Philippines and hopefully extend outside of the Philippine borders. Xurpas will become a distributor, supporter, and partner for a wide range of software solutions that are needed by small, medium, and large businesses.

Mr. Gurango shared that his leadership is focused on building the kind of company that the stockholders and the Company can be proud of - a visionary company that is built on strong fundamentals. He said that he wants to grow Xurpas to be a company that can withstand the economic and technological upheavals of the global software industry, by practicing the "successful habits" that Jim Collins refers to in his book **Built to Last.**

He believes that Xurpas is well positioned to profit from the six key trends that are currently driving the software development industry: [1] low-code and no-code development: tools that allow developers to achieve professional results. [2] cloud computing: developing, deploying, and supporting software that is cloud native. [3] cybersecurity: protecting the customers from malicious software produced by bad actors who have infinitely more resources than the good actors like Xurpas will ever have at their disposal. [4] artificial intelligence: automating business processes, management activities and human interactions without necessarily losing our humanity. [5] web 3.0: blockchain technologies, distributed applications or dapps, and building the galaxy of metaverses. [6] and finally, the internet of things: integrating software and hardware technologies over the world wide web to enable what Mr. Gurango's younger self considered as science fiction --- self-driving vehicles, remote surgery, and intelligent sensing devices, the size of a literal bug.

He shared that even before the global pandemic and the resulting lockdown of March 2020, Xurpas was already actively involved in each of these trends. As a matter of fact, Xurpas was already working on the leading edge in four of the six of these trends.

Xurpas' official intelligence in business automating business processes, management activities and human interactions without necessarily losing our humanity. Web 3.0, blockchain technologies, distributed applications or dapps, and building the galaxy of metaverses, and finally, internet of things. Integrating software and hardware technologies over the world wide web to enable what

Mr. Gurango's younger self considered as science fiction. Self-driving vehicles, remote surgery and intelligent sensing devices, the size of a literal bug. He shared that even before the global pandemic and the resulting the lockdown of March 2020, Xurpas was already actively involved in each of these trends. As a matter of fact, Xurpas was already working on the leading edge, some might even say the bleeding edge of six of these trends.

Mr. Gurango assured that Xurpas is riding the right technological wave into a bright future. With that, he thanked the Xurpas Board of Directors, co-executives, management team, and all the employees with the confidence and support that they have shown him during first 2 months as CEO. Mr. Gurango thanked the shareholders of Xurpas who continued to believe in the ability of Xurpas to fulfill the Filipino's aspiration for the global software industry.

VI. ANNUAL REPORT OF THE PRESIDENT AND APPROVAL OF THE 2021 AUDITED FINANCIAL STATEMENTS

Mr. Corpuz then informed the stockholders that the next item in the agenda is the Annual Report of the President.

Mr. Corpuz discussed the Annual report. Xurpas ended with a PHP210 million in 2021, a 21% increase from PHP174M revenue in 2020. Analyzing further the total revenue for 2021, the enterprise business increased by 33% from PHP88M in 2020 to a PHP118M in 2021 spearheaded by a steady growth of the staff augmentation business. Mobile consumer revenue increased by 84% from PHP22M in 2020 to PHP41M in 2021, digital rewards was the main contributor to this segment. On the other hand, revenues from other services which refers to the store business, decreased by 19% from PHP64M in 2020 to PHP52M in 2021. The decreased in the benefit/marketplace business was offset by the continuing increase in AllCare revenues. The net loss of PHP26M in 2021 is a 62% improvement from previous year level of PHP69M pesos.

At this point, Mr. Corpuz discussed the Company's financial performance for the first quarter of 2022. Xurpas ended with a PHP48M Revenue in the first quarter of 2022, a 20% increase from the PHP40M in Q1 of 2021. Analyzing further the 20% increase in revenue, this is mainly due to the continuous expansion of the staff augmentation business under the enterprise segment. This largely contributed to the 133% revenue increase of the segment from the first quarter of last year at PHP13M, versus the PHP31M revenue of the first quarter of 2022. Augmenting the overall revenue increase is the mobile consumer business with the 42% increase from PHP5M to PHP7M over the same period. However, in the foregoing segment, revenue increases were partially offset by the 54% decrease of other services revenues in the first quarter of 2022 compared to the same period in 2021, due to the challenges in the marketplace business even as AllCare sustained its growth.

The net loss of PHP5M pesos in the first quarter in 2022 is a 70% improvement from the PHP17M loss of the same period of the previous year.

Moving forward, Xurpas will continue to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions, seizing the opportunities brought about by Web 3.0.

Sustainability Report

Given the need to operate in a sustainable manner, the Company has become conscious of activities within the organization that have economic, environmental, and social impacts. The material topics included in the Sustainability Report are limited to the operational matters that have a direct and significant effect to the Company's sustainability and the interest of its identified stakeholders (i.e., shareholders, employees, customers and suppliers).

As an Information Technology (IT) company, the main contribution of Xurpas to sustainability is the provision of digital transformation through its technical capabilities. As an IT company, the effects of its operations mainly affect the economic and social aspects of sustainability.

The Company's Sustainability Report for the reporting period ended December 31, 2021 was attached to the Company's Annual Report and can be accessed through the PSE Edge or the Company website.

The Board is responsible for the Company's Risk Management and Internal Control System and for reviewing its adequacy and integrity.

In establishment and reviewing the risk management and internal control system, the Directors consider the materiality of relevant risks, the likelihood of losses to be incurred and the cost of control. The purpose of this risk management and internal control system is to manage and minimize rather than eliminate the risk of failure to achieve the company's objectives. There is no assurance against risk of material losses.

The Board conducts a periodic review of the effectiveness of risk management and internal control processes. The Board views that there is adequate risk management and internal control system in place.

Thereafter, the stockholders of the Corporation approved the 2021 Audited Financial Statements and adopted the following resolution:

> "**RESOLVED,** that the stockholders of Xurpas Inc. (the "Corporation") note the Corporation's Annual Report and approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2021, as audited by Sycip Gorres Velayo & Co."

Voting Results:

	No. of Common Shares	**% of Total Outstanding Shares**
For	**1,219,336,758**	59%

VII. AMENDMENT OF BY-LAWS

Mr. Corpuz presented the Amendment of By-Laws of the Corporation and garnered no objections on the part of the stockholders, who unanimously signified their approval thereto.

The following proposed amendments to the By-Laws were approved in the previous stockholders meeting:

1. Notice of meeting to be distributed to stockholders via electronic mail and such other alternative modes as may be allowed by the SEC;
2. Participation of stockholders in a meeting through remote communication or in absentia; and

3. Voting through remote communication or in absentia.

The Corporation has not secured the approval of the SEC in relation to the foregoing as of date.

The additional proposed amendments to the By-Laws of the Corporation are as follows:

1. Change of Annual Meeting to every 2nd Wednesday of August (Article II, Section 1); and
2. Allowing the Chairman of the Board of Directors to preside in all meetings of the stockholders Article II, Section 6).

In this regard, the following resolution was passed and duly seconded:

"**RESOLVED**, that the stockholders of Xurpas Inc. (the "Corporation") approve the following amendments to the By-Laws: Article II, Sections 1, 4, 5, 6 and 7."

Voting Results:

	No. of Common Shares	**% of Total Outstanding Shares**
For	1,219,336,758	59%

VIII. ELECTION OF DIRECTORS AND INDEPENDENT DIRECTORS

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

Atty. Gorriceta enumerated the names of the following nominees to the Board which have been accepted by the Corporation's Nomination Committee:

1. Jonathan Gerard A. Gurango
2. Alexander D. Corpuz;
3. Fernando Jude F. Garcia;
4. Mercedita S. Nolledo;
5. Wilfredo O. Racaza;
6. Imelda C. Tiongson, *Independent Director;* and
7. Bartolome S. Silayan, Jr., *Independent Director.*

Atty. Gorriceta mentioned that all nominees possessed all the qualifications and none of the disqualifications under the Corporation's By-Laws and Manual on Corporate Governance and are eligible to be nominated and elected as directors of the Corporation. The qualifications of the directors were flashed on the screen and were included in the Information Statement which was sent to the stockholders as of record date and disclosed through the PSE Edge portal. For directors' compensation, directors receive a standard per diem of Php20,000.00 for every meeting attended while the Chairman is entitled to a per diem of Php25,000.00 for every meeting. Non-executive directors have no compensation aside from their per diem, while directors who hold executive positions receive compensation in addition to their per diem. The total compensation received by the directors and key officers were also flashed on the screen.

Atty. Gorriceta also presented the attendance in meetings of the Board for calendar year 2021. Atty. Gorriceta stated that based on the tabulation of votes, each of the eight (8) nominees has garnered at least 100% votes from those present in the meeting. Given this, he certified that each nominee has received enough votes for election to the Board.

Atty. Gorriceta then said that stockholders holding at least 59% of those present in the meeting approved the following resolution:

> **"RESOLVED,** the stockholders of Xurpas Inc. (the "Corporation") elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:
>
> Jonathan Gerard A. Gurango
> Alexander D. Corpuz
> Fernando Jude F. Garcia
> Wilfredo O. Racaza
> Atty. Mercedita S. Nolledo
> Imelda C. Tiongson (Independent Director)
> Bartolome S. Silayan, Jr. (Independent Director)"

Voting Results:

Name	**Number of Votes**	**%**
Jonathan Gerard A. Gurango	**1,219,336,758**	100%
Alexander D. Corpuz	**1,219,336,758**	100%
Fernando Jude F. Garcia	**1,219,336,758**	100%
Wilfredo O. Racaza	**1,219,336,758**	100%
Atty. Mercedita S. Nolledo	**1,219,336,758**	100%
Imelda C. Tiongson	**1,219,336,758**	100%
Bartolome S. Silayan, Jr.	**1,219,336,758**	100%

On behalf of the elected directors, Mr. Corpuz thanked the stockholders for their continued trust and support.

IX. APPOINTMENT OF EXTERNAL AUDITOR

Mr. Corpuz informed the stockholders that the next item in the agenda is the appointment of the Corporation's External Auditor. He also stated that the Audit Committee has evaluated the performance of the Corporation's current External Auditor, SyCip Gorres Velayo & Co. ("**SGV**"). which has been the Corporation's External Auditor since 2008.

Atty. Gorriceta certified that stockholders holding at least 100% of the total outstanding shares of the Corporation approved the re-election of SGV as the external auditor of the Corporation for 2022 and approved SGV's audit fee, and adopted the following resolution:

> **"RESOLVED,** that Xurpas Inc. approves the appointment of Sycip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2022."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	**1,219,336,758**	59%

X. RATIFICATION OF PREVIOUS ACTS AND MANAGEMENT

Mr. Corpuz then proceeded to the last item on the agenda, which is the ratification of previous acts of the Directors and Management from January 1, 2021 to June 20, 2022. He stated that copies of the matters approved have been uploaded on the Corporation's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

Atty. Gorriceta certified that stockholders holding at least 100% of the total outstanding shares of the Corporation ratified all previous acts of the Board and Management from January 1, 2021 to June 20, 2022.

The stockholders present unanimously approved the ratification of previous actions of the Directors and Management, and adopted the following resolution:

> **"RESOLVED,** that the stockholders of Xurpas Inc. ratify all actions of the Directors and Management from January 1, 2021 to June 20, 2022."

Voting Results:

	No. of Common Shares	% of Total Outstanding Shares
For	**1,219,336,758**	59%

XI. QUESTION AND ANSWER

Mr. Corpuz then announced that the Board will proceed to answer the questions raised by the stockholders.

(a) What initiatives will you be pursuing to grow the Company? What technologies will you focus on?

Mr. Gurango said that there are ongoing plans and projects that are in place to continue to strengthen and improve the operations of Xurpas. Xurpas will be focusing on 1) increasing the capacity for IT Staff Augmentation; 2) Growing the Services and Products under Business Solutions; and 3) Seizing the emerging opportunities brought by Web 3.0. Moving forward, the technologies that Xurpas will focus on include low code and no code development, cloud computing, cybersecurity, AI in business, Web 3.0 and the internet of things. Xurpas is already working on the leading edge of most of these software technology prints. Mr. Gurango assures that Xurpas is riding the right technological waves into a very bright future.

(b) What is your message to the long-time stockholders who have held on to the stock thru good times and bad?

Mr. Gurango said that he appreciates the long-time stockholders who have attended the Annual Stockholder's Meeting, and those who have held their stocks in good times and bad. They genuinely appreciate investors who continue to believe and trust in the Company. He assured the stockholders that Xurpas Management and its employees are exerting all efforts to ensure the Company's recovery, and progress and continues towards predictable growth and profitability. Xurpas is well-positioned in terms of profiting from six of the key trends that are currently driving the software development industry, and the Company expects to take full advantage of its competitive advantage for as long as Xurpas can. The future is bright. He reiterated his appreciation to those stockholders who have stood by Xurpas in good times and bad.

XII. ADJOURNMENT

There being no further business to discuss, the 2022 Annual Stockholders' Meeting is hereby adjourned.

Prepared by:

ATTY. MARK S. GORRICETA
Corporate Secretary

Attested by:

JONATHAN GERARD A. GURANGO
Chairman of the Meeting

Annex "B-1"

CERTIFICATION

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

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANIES	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
Opal Portfolio Investments (SPV-AMC) INC.	President and CEO	16 years 2007 to 2023
Prulife UK Ph	Independent Director Chairperson	3 years 2020 to 2023 (became Chairperson in 2022)
Seedin Technologies Inc.	Independent Director	3 years 2020
Alipay Philippines Inc.	Independent Director	1 year 2022

NON PROFIT ORGANIZATIONS	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
Institute of Corporate Directors	Trustee	7 years 2016 to 2023
Fintech Alliance Ph	Trustee	4 years 2018 to 2023
Womenbiz.Ph	Trustee	1 year 2022 to 2023

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

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

Executed on 08 JUN 2023.

IMELDA C. TIONGSON
Affiant

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

SUBSCRIBED AND SWORN to before me this 08 JUN 2023 at PASIG CITY, affiant personally appeared before me and exhibited to me her SSS ID 33-1959400-0.

Doc. No. 354;
Page No. 72;
Book No. 1;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
Roll No. 64655
MCLE Compliance VII-0227307;03-27-2023
15th Floor Strata 2000, F. Ortigas Jr, Road, Pasig City
Email address: emapaya@gorricetalaw.com
Telephone No. 86960988
Appointment No. 189 (2023-2024) – Pasig City
Commissioned until 31 December 2024

CERTIFICATION

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

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

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

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

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

Executed on 08 JUN 2023.

BARTOLOME SILAYAN, JR
Affiant

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

SUBSCRIBED AND SWORN to before me this 08 JUN 2023 at PASIG CITY, affiant personally appeared before me and exhibited to me his Driver's License No. N-06-84-031099 expiring on November 1, 2022.

Doc. No. 353;
Page No. 52;
Book No. 1;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
Roll No. 64655
MCLE Compliance VII-0227307;03-27-2023
15th Floor Strata 2000, F. Ortigas Jr, Road, Pasig City
Email address: emapaya@gorricetalaw.com
Telephone No. 86960988
Appointment No. 189 (2023-2024) – Pasig City
Commissioned until 31 December 2024

Annex "B-3"

CERTIFICATION

I, **CHRISTOPHER P. MONTEROLA,** Filipino, of legal age, with address at 36E One Legazpi Park, hereby certify that:

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	**POSITION/ RELATIONSHIP**	**PERIOD OF SERVICE (indicate year)**
Asian Institute of Management	Professor and Aboitiz Chair in Data Science; Head, Aboitiz School of Innovation, Technology and Entrepreneurship (ASITE); Principal Scientist and head of Analytics, Computing and Complex Systems lab (ACCeSs lab)	August 2017 to present
National Academy of Science and Technology (NAST)	Academician	2021- lifetime

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

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

Executed on 0 8 JUN 2023.

CHRISTOPHER P. MONTEROLA
Affiant

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

SUBSCRIBED AND SWORN to before me this 0 8 JUN 2023 at PASIG CITY, affiant personally appeared before me and exhibited to me his TIN ID NO. 187-377-416.

Doc. No. 352;
Page No. 72;
Book No. 1;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
Roll No. 64655
MCLE Compliance VII-0227307;03-27-2023
15th Floor Strata 2000, F. Ortigas Jr. Road, Pasig City
Email address: emapaya@gorricetalaw.com
Telephone No. 86960988
Appointment No. 189 (2023-2024) – Pasig City
Commissioned until 31 December 2024

Annex “B-4”

CERTIFICATION

I, **JONATHAN JUAN DC MORENO,** Filipino, of legal age, with address at The Sequoia Tower, Two Serendra, Bonifacio Global City, Taguig City, hereby certify that:

1. I am a nominee for independent director of **Xurpas Inc.** (the “**Corporation**”);

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
AF Payments Inc.	President & CEO	2022 to present
Metro Retail Stores Group Inc.	Chief Strategy Officer	2014-2021 (7 years)
Institute of Corporate Directors	Member of the Board of Trustees	2022-present
Management Association of the Philippines (Map)	Member, Vice Chair of Corporate Governance Committee	2009-present
BCYF Foundation	Member of the Board of Trustees	2008-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

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

Executed on June 1, 2023.

JONATHAN JUAN DC MORENO
Affiant

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

SUBSCRIBED AND SWORN to before me this 08 JUN 2023 at PASIG CITY, affiant personally appeared before me and exhibited to me his Drivers License No. G01-89-105461.

Doc. No. 350;
Page No. 71;
Book No. 1;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
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15th Floor Strata 2000, F. Ortigas Jr, Road, Pasig City
Email address: emapaya@gorricetalaw.com
Telephone No. 86960988
Appointment No. 189 (2023-2024) – Pasig City
Commissioned until 31 December 2024

Annex "C"

CERTIFICATION

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

1. I am the Corporate Secretary of Xurpas Inc. (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at Unit 804 Antel 2000, Corporate Center, 121 Valero St., Salcedo Village, Makati City, 1227;

2. In connection with the Annual Stockholders' Meeting of the Corporation scheduled on August 9, 2023, 9:00 a.m. via remote communication, I hereby certify that none of the Corporation's director or officers are connected with any government agencies or instrumentalities; and

3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission.

Signature page follows

IN WITNESS WHEREOF, I have hereunto set my hand this JUN 0 8 2023 day of 2023 in Pasig City.

ATTY. MARK S. GORRICETA
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this JUN 0 8 2023 in PASIG CITY, affiant exhibiting to me his Passport No. P4531123B issued at DFA NCR East valid until January 23, 2030.

Doc. No. 356;
Page No. 73;
Book No. 1;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
Roll No. 64655
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Commissioned until 31 December 2024

XURPAS INC.
MANAGEMENT REPORT
For the 2023 Annual Stockholders’ Meeting
To be held on August 9, 2023
Pursuant to SRC Rule 20(4)(1)

1. **Financial Statements**

- Please refer to Annex “E” for the 2022 Annual Report of Xurpas Inc. and its subsidiaries (the “Group”); and
- Please refer to Annex “F” for the Consolidated Unaudited Financial Statements of the Group for the period ended March 31, 2023.

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

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

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

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

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

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

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

- Sale of its 51% shareholdings in Yondu Inc. The sale will provide the Corporation additional liquidity, retire debt, and allow the Corporation to focus on high-value, emerging, innovative, and disruptive technologies and platforms impacting both enterprise and consumer commerce.

- Dissolve Xeleb Technologies Inc. and Xeleb Inc. (collectively referred to as “Xeleb”). All residual businesses of Xeleb will be carried over to the parent company. This strategy will eliminate expenses incurred in maintaining a separate entity.

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

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

  Art of Click, a start-up firm established in 2011 and purchased by Xurpas in 2016, specializes in mobile marketing solutions for advertisers, publishers, app developers and other operators.

Art of Click encountered financial difficulties in 2017 because (1) it lost several key clients; and (2) there was a decline in the ad network industry due to the growing dominance of companies such as Facebook and Google. Throughout this period, Xurpas has been supporting its subsidiary and has implemented drastic cost-cutting measures.

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

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

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

  Total Equity / Book Value of CTX is at approximately One Million Pesos as of December 31, 2019. Mr. Garcia Purchased 80% of CTX at ₱4.00 million.

- On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia at ₱1.20 million.

The Board also approved the purchase of 100% of Wavemaker Group, Inc. on September 20, 2020. However, on December 20, 2021, the transaction with Wavemaker Group, Inc. did not push through and was terminated.

On January 20, 2022, Nico Jose S. Nolledo, Founder and ex-Chairman, infused equity amounting to ₱100.00 million. The proceeds will be used for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development, and general corporate purposes.

Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

Outlook for 2023

1. IT Staff Augmentation: Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue, the Company has been vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, has created multiple opportunities for the Company's enterprise business. This also led to the Group's decision to expand its digital influence geographically to cover other markets in need of their services even beyond the country's borders. In 2023, the Company has announced its plans to establish its presence in Australia, with the aim of introducing its product offerings to larger markets.

2. Custom Software Development: As technology becomes increasingly ingrained in a lot of businesses, the demand to adopt digital transformation has also been increasing for the custom software development business. It has been one of their top priorities as they focus to keep up with these technological changes in order to stay relevant and competitive in the market. The Group has observed an increase in demand for its custom software development in 2022 where revenues substantially increased by 131% from last year. With this, Xurpas will continue to

take this opportunity to maximize its expertise in providing these types of services in the market.

3. Digital Business Solutions: As the Company aims to curate a regional marketplace of B2B software services and products, it is targeting to cater the large untapped SME Market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SMEs. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners. Incorporation of Xurpas Software, Inc. is one of the actions being undertaken to fulfill this objective. This will focus on providing business solutions of various technological products and services to different industries from different scales.

4. Web 3.0: This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

First Quarter of 2023 compared with First Quarter of 2022

Financial Summary

Key Financial Data In PhP Millions	For the three-month periods ended March 31 2023 Amount	 Percentage	 2022 Amount	 Percentage	 Amount Change	 % Increase (Decrease)
Revenues						
Mobile consumer services	1.40	3%	6.85	14%	(5.44)	(79%)
Enterprise services	32.83	71%	30.87	65%	1.96	6%
Other services	12.08	26%	9.98	21%	2.10	21%
Total Revenues	**46.31**	**100%**	**47.70**	**100%**	**(1.38)**	**(3%)**
Cost of Services	34.06	74%	39.21	82%	(5.14)	(13%)
Gross Profit	**12.25**	**26%**	**8.49**	**18%**	**3.76**	**44%**
General and Administrative Expenses	23.84	51%	17.00	36%	6.84	40%
Equity in Net Losses (Earnings) of Associates	3.71	8%	(5.44)	(11%)	9.15	168%
Finance Costs and Other Charges (Income) - Net	(1.54)	(3%)	2.01	4%	(3.55)	(177%)
Loss Before Income Tax	**(13.76)**	**(30%)**	**(5.08)**	**(11%)**	**8.68**	**171%**
Provision for Income Tax	0.14	0%	0.00	0%	0.14	4,691%
Net Loss	**(13.90)**	**(30%)**	**(5.08)**	**(11%)**	**8.82**	**173%**
Other Comprehensive Income (Loss)	15.02	32%	(10.73)	(22%)	25.74	240%
Total Comprehensive Income (Loss)	**1.11**	**2%**	**(15.81)**	**(33%)**	**16.93**	**107%**

	Mar. 31, 2023 Amount	Dec. 31, 2022 Amount	Amount Change	% Increase (Decrease)
Total Assets	613.43	602.66	10.77	2%
Total Liabilities	643.02	633.36	9.66	2%
Total Capital Deficiency	(29.58)	(30.70)	(1.11)	(4%)

The Group’s total revenue in the first quarter of 2023 was ₱46.31 million, a slight 3% decrease from the same period of 2022 mainly caused by the decrease in revenues under mobile consumer services. Majority of the revenues is from enterprise services which generated ₱32.83 million or 71% of total revenue followed by other services and mobile consumer services which generated ₱12.08 million and ₱1.40 million, respectively.

The blended cost of services went down from ₱39.21 million in March 31, 2022 to ₱34.06 million in March 31, 2023. There were reclassifications made between the cost of services (COS) and general and administrative (GAEX) salaries and wages accounts due to a company reorganization initiated in 2022, setting up of business units and cost centers internally, which changed their classifications in first quarter of 2023.

Gross profit margin on total revenues is at ₱12.25 million for the period ended March 31, 2023.

General and administrative expenses (GAEX) increased by 40%, from ₱17.00 million for the first quarter of 2022 to ₱23.84 million for the same period in 2023. The increase is caused by the reclassification from COS to GAEX salaries and wages as previously mentioned, and additional management and manpower and sales and marketing initiatives, which are imperative to continuously achieve growth and to be able to implement expansion as part of the Company’s plan.

The Company also shares in the recorded net losses of the associate companies it has invested in, which amounted to ₱3.71 million for the three-month period ended March 31, 2023 (a 168% decline from equity in net earnings of associates first quarter of 2022).

By the end of Q1 2023, the Company generated a ₱13.76 million pre-tax loss, ₱13.90 million net loss and ₱1.11 million total comprehensive income. The financial results after the net loss shifted to a total comprehensive income due to the other comprehensive income recorded for the period amounting to

₱15.02 million as a result of the changes in foreign exchange rates, favorable to the Company, and upsurge of crypto prices by the end of the first quarter of 2023.

Revenues and net loss contributed by foreign operations for the three-month period ended March 31, 2023 amounted to nil and ₱1.09 million (which is mostly attributable to a one-off gain recognized by AOC), respectively. This corresponds to nil and 8% of the consolidated revenues and net loss, respectively, for the said period.

Consolidated total assets increased merely by 2% from ₱602.66 million for the period ended December 31, 2022, to ₱613.43 million as of March 31, 2023. Consolidated total liabilities also slightly increased by 2% from ₱633.36 million as of December 31, 2022, to ₱643.02 million on March 31, 2023. Lastly, consolidated total capital deficiency went down by ₱1.11 million on March 31, 2023, from December 31, 2022, reducing the deficiency to ₱29.58 million.

Segment Financial Performance

For the three-month period ended March 31, 2023 in PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Total Service Revenues	**1.40**	**43.12**	**12.08**	**(10.29)**	**46.31**
Operating expenses	3.16	51.39	13.64	(10.29)	57.90
Equity in net earnings of associates	-	-	-	3.71	3.71
Other charges income- net	(0.46)	(1.08)	-	-	(1.54)
Total Expenses	**2.70**	**50.31**	**13.64**	**(6.58)**	**60.07**
Operating Loss	**(1.30)**	**(7.19)**	**(1.56)**	**(3.71)**	**(13.76)**
Provision for income tax	(0.01)	(0.13)	-	-	(0.14)
Net Loss	**(1.31)**	**(7.32)**	**(1.56)**	**(3.71)**	**(13.90)**

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the three-month period ended March 31, 2023, the enterprise services generated the majority of the total revenues amounting to ₱43.12 million. This is followed by other services which amounted to ₱12.08 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱1.40 million.

Profitability

For the three-month period ended March 31, 2023, compared with the three-month period ended March 31, 2022.

Revenues
The consolidated revenues of the Group for the three-month period ended March 31, 2023, amounted to ₱46.31 million, a decrease of 3% from ₱47.70 million the same period of the previous year.
The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
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	● Xurpas Enterprise ● Xurpas Parent Company ● Seer
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	● Xurpas Parent Company

Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits –insurance, health checks and wellness.	● AllCare

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Revenues						
Enterprise services	32.83	71%	30.87	65%	1.96	6%
Mobile consumer services	1.40	3%	6.85	14%	(5.44)	(79%)
Other services	12.08	26%	9.98	21%	2.10	21%
Total Revenues	**46.31**	**100%**	**47.70**	**100%**	**(1.38)**	**(3%)**

For the first quarter of 2023, enterprise services generated the most revenue at ₱32.83 million or 71% of total revenues. The 6% increase is primarily steered by the management's directive to maximize and expand the growth in its services. On the other hand, revenues generated from other services (which accounts for 26% of company revenues) went up 21%, from ₱9.98 million as of March 2022 to ₱12.08 million in March 2023. This is due to the ongoing expansion of AllCare, a majority-owned subsidiary of Storm Technologies. Lastly, as the Company shifted its focus on the expansion of its enterprise services, it has been expected that the revenues under mobile consumer will decline. The latter comprises 3% of the revenues or at ₱1.40 million which decreased from the prior period by 79%.

The enterprise services segment is comprised of the following business units:

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Enterprise Services						
IT staff augmentation	14.37	44%	23.30	75%	(8.92)	(38%)
Custom software development	10.33	31%	7.08	23%	3.25	46%
Web 3.0 services	6.87	21%	-	0%	6.87	n.a.
Business solutions	0.76	2%	0.49	2%	0.28	56%
Others	0.49	1%	-	0%	0.49	n.a.
Total Enterprise Services	**32.83**	**100%**	**30.87**	**100%**	**1.96**	**6%**

As previously discussed, there was a 38% decline in IT staff augmentation revenues, but was offset by the greater increase in custom software development and business solutions by 46% and 56% respectively. The Company also successfully started providing Web 3.0 services, as part of its initiatives, in the second half of 2022. For the first quarter of 2023, Web 3.0 services contributed ₱6.87 million in revenues.

Expenses

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Expenses						
Cost of Services	34.06	59%	39.21	70%	(5.14)	(13%)
General and Administrative Expenses	23.84	41%	17.00	30%	6.84	40%
Total Expenses	**57.90**	**100%**	**56.21**	**100%**	**1.69**	**3%**

The Group's consolidated expenses during the three-month period ended March 31, 2023, amounted to ₱57.90 million, a 3% increase from the same period of the previous year at ₱56.21 million. For the first three months of 2023, cost of services accounted for the bulk of expenses, totaling ₱34.06 million or 59% of the Group's consolidated expenses. For the same period in 2022, cost of services amounted to ₱39.21 million, which comprised 70% of overall expenses.

There were reclassifications made between the cost of services (COS) and general and administrative (GAEX) salaries and wages accounts due to a company reorganization initiated in 2022, setting up of business units and cost centers internally which changed their classifications in first quarter of 2023. Increase in overall expenses was a result of additional management and manpower and sales and marketing initiatives, which are imperative to continuously achieve growth and to be able to implement expansion as part of the Company's plan.

Cost of Services

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.08	56%	24.66	63%	(5.58)	(23%)
Outside services	11.10	33%	7.19	18%	3.92	55%
Outsourced services	1.94	6%	5.63	14%	(3.69)	(66%)
Webhosting	1.14	3%	0.72	2%	0.42	57%
Others	0.80	2%	1.01	3%	(0.21)	(21%)
Total Expenses	**34.06**	**100%**	**39.21**	**100%**	**(5.14)**	**(13%)**

The cost of services for the first quarter of 2023 amounted to ₱34.06 million, a decrease from the same period of the previous year of ₱39.21 million. 56% of cost of services came from salaries and wages at ₱19.08 million and is a 23% decrease from the prior year of the same period. This is a result of the reclassification from COS to GAEX salaries and wages due to internal reorganization. Outside services also increased by 55% from ₱7.19 million in 1Q2022 to ₱11.10 million in 1Q2023, due to the increase in benefits and claims resulting from the consistent growth in revenue of AllCare during the period.

General and Administrative Expenses (GAEX)

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	17.73	74%	7.47	44%	10.26	137%
Dues and subscription	1.12	5%	0.34	2%	0.77	225%
Marketing and promotions	1.02	4%	0.76	4%	0.26	34%
Professional fees	0.93	4%	2.46	14%	(1.52)	(62%)
Taxes and licenses	0.77	3%	1.71	10%	(0.94)	(55%)
Others	2.27	10%	4.26	26%	(1.99)	(47%)
Total Expenses	**23.84**	**100%**	**17.00**	**100%**	**6.84**	**40%**

General and administrative expenses relating to the Group's operations, for the first three months of 2023 amounted to ₱23.84 million, higher by 40% compared to previous year's same period level of ₱17.00 million. Salaries and wages accounted for 74% in the first quarter of 2023 and increased by 137% vis-à-vis same period in 2022 caused by the reclassification from COS to GAEX salaries and wages as previously discussed and additional management and manpower and sales and marketing initiatives which are imperative to implement the Company's growth and expansion plans. Dues and subscriptions and marketing and promotions increased by 225% and 34% respectively. The increase is due to broader marketing efforts for expansion and increased memberships in professional organizations incurred for this first quarter compared with same period of last year. On the other hand, professional fees, taxes and licenses and other expenses accounting for 4%, 3%, and 10% of expenses, respectively, decreased for the period.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the three-month period ended March 31, 2023, amounted to ₱3.71 million, 168% lower than the ₱5.44 million net earnings for the comparable period. The associates that generated losses for the period are Altitude SG and MicroBenefits while 9Lives, on the other hand, recorded earnings.

Finance Costs– net

For the quarter ended March 31, 2023 and 2022, the Group posted a slight 12% decrease in finance costs, net from ₱1.90 million to ₱1.68 million, respectively. This is due to higher interest income earned for the first quarter of 2023 than the same period of last year.

Other Income – net

For the first three months of 2023, the Group recognized other income, net amounting to ₱3.22 million. This account mainly consists of foreign exchange gain amounting to ₱2.45 million which is the result of the strengthening of the Philippine peso vs. the US dollar and Singapore dollar, as of the end of the period, and other income incurred due to support services rendered amounting to ₱0.93 million. This is partially offset by unrealized loss on revaluation and bank charges incurred by the end of the quarter.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2023, was ₱13.76 million. The net loss before taxes for the Group increased by 171% or ₱8.68 million from the same period ended March 31, 2022, which posted a figure of ₱5.08 million.

Provision for Income Tax

The Group recognized ₱0.14 million provision for income tax for the three- month period ended March 31, 2023 vis-à-vis ₱3,021 provision in March 31, 2022.

Net Loss

The Group posted a consolidated net loss of ₱13.90 million for the three-month period ended March 31, 2023, an increase of 174% from the previous year's same period of ₱5.08 million.

Other Comprehensive Income

In March 2023, the Group posted a ₱15.02 million other comprehensive income. This figure was a 240% improvement from March 2022 of ₱10.73 million other comprehensive loss due to a gain on cumulative translation adjustment and revaluation surplus as a result of Peso appreciation vs USD and SGD and increase in cryptocurrency prices as of end of the first quarter.

	Foreign exchange rates		**Cryptocurrency price**	
	USD to PhP	**SGD to PhP**	**BTC**	**ETH**
December 31, 2022	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197
March 31, 2023	USD1.00 to ₱54.43	SGD1.00 to ₱41.00	USD28,474	USD1,82

Total Comprehensive Income (Loss)

As of March 31, 2023, the Group's total comprehensive income improved by 107% brought by the other comprehensive income generated for the quarter. This amounts to ₱1.11 million as of end of the first quarter compared to total comprehensive loss of ₱15.81 million for the three-month period ended March 31, 2022.

Financial Position

As of March 31, 2023, compared to December 31, 2022.

Assets

Cash

The Group's consolidated cash amounted to ₱47.88 million for the three-month period ended March 31, 2023, a net decrease of 24% or ₱15.43 million from consolidated cash of ₱63.31 million as of December 31, 2022 which is attributed to the additional operating expenses incurred for the first quarter which is aligned with Company's expansion plan and increase in trade receivables for the period.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱130.15 million and ₱96.67 million as of March 31, 2023, and December 31, 2022, respectively. The increase of ₱33.48 million was mostly attributed to the increase of trade receivables pertaining to Globe Telecom, a major client under enterprise services segment. Out of the consolidated accounts and other receivables, 86% or ₱111.98 million pertains to trade receivables – net and ₱53.94 million or 48% of this amount is collectible from Globe Telecom.

Contract Assets

The Group's consolidated contract assets totaling ₱49.30 million as of December 31, 2022, decreased by ₱26.24 million as of March 31, 2023, to ₱23.06 million which was majorly caused by the decline in the account balance pertaining to Globe Telecom.

Other Current Assets

As of March 31, 2023, the Group's consolidated other current assets totaled ₱25.01 million, an increase of ₱9.94 million or 66% from its previous level on December 31, 2022 of ₱15.07 million. The increase in this account was caused by higher prepaid expenses of AllCare which is usually the case at the beginning of each year when AllCare fund its clients' health benefit plans and will eventually be charged to expense upon their utilization.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2023, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2022, which both amounted to ₱1.20 million.

Investment and Advances to Associates

As of March 31, 2023, the Group's consolidated investment in associates increased from ₱294.97 million during December 31, 2022, to ₱296.14 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱232.87 million), Altitude Games Pte Ltd. (₱20.13 million), and SDI (₱21.05 million). Further, advances to SDI as of March 31, 2023 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱5.11 million on March 31, 2023, vis-à-vis ₱5.61 million as of December 31, 2022. The Group acquired property and equipment amounting to 0.32 million and 0.54 million during the three-month period ended March 31, 2023, and March 31, 2022, respectively. Depreciation expense amounted to 0.48 million and 0.29 million for the three-month periods ended March 31, 2023, and 2022, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of March 31, 2023 and December 31, 2022 amounted to ₱1.98 million and ₱0.17 million, respectively. In the first quarter of the year, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional ROU asset amounting to ₱2.06 million. Depreciation expense recognized amounted to ₱0.25 million for the first quarter of 2023.

Intangible Assets

As of March 31, 2023, intangible assets amounted to ₱69.26 million which decreased from December 31, 2022, balance of ₱62.84 million. The components are goodwill, developed software, and cryptocurrencies.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2023, goodwill was at ₱48.22 million.
- Developed software pertains to corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of March 31, 2023, net book value of developed software was ₱1.30 million. Amortization of developed software for the three-month period ended March 31, 2023, amounted to ₱0.05 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as of March 31, 2023, valued at ₱19.73 million. Additions during the period amounted to ₱1.54 million while cryptocurrencies with carrying value of ₱2.66 million were disposed of. Net revaluation surplus recognized amounted to ₱7.31 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱13.64 million as of March 31, 2023. This figure is 1% higher than the ₱13.52 million figure posted as of December 31, 2022.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱387.39 million as of March 31, 2023. It decreased by ₱0.71 million from the December 31, 2022, figure of ₱386.68 million mainly due to the decline of payable to third parties and accrued expenses.

The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱149.90 million and ₱152.35 million as of March 31, 2023 and December 31, 2022, respectively. The decrease was brought about by foreign exchange revaluation of one of the loan agreements which is denominated in US Dollar.

Loans Payable

The Group recorded ₱35.00 million in current loans on March 31, 2023, and ₱33.82 million as of December 31, 2022. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term. The increase was due to the reclassification from noncurrent liability of Storm loans payable that will fall due in the first quarter of 2024.

Contract Liabilities

The Group's consolidated contract liabilities as of March 31, 2023, amounted to ₱44.09 million, an increase of 28% from the December 31, 2022, figure of ₱34.45 million. The increase in this account was the result of the growing HMO business of AllCare.

Current Portion of Lease Liability

The Group recognized a lease liability for its office space in Antel amounting to ₱1.99 million. In the first quarter of the year, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional lease liability amounting to ₱2.34 million. Accretion of interest and payments made amounted to ₱0.01 million and ₱0.53 million, respectively.

Current portion of the lease liability as of March 31, 2023 amounted to ₱0.99 million.

Loan Payable – net of current portion

This account pertains to the noninterest bearing loan agreement entered by Storm amounting to ₱17.32 million. The loan is payable in monthly installments over one (1) to five (5) years. As of March 31, 2023, outstanding balance of the loan amounted to ₱11.57 million of which ₱3.34 million was classified as noncurrent.

Lease Liabilities – net of current portion

This account pertains to the Parent Company's leased office space in Antel. Noncurrent portion of the lease liability as of March 31, 2023 amounted to ₱1.00 million.

Pension Liability

The accrued pension of the Group was at ₱21.31 million as of March 31, 2023, which was unchanged from its levels on December 31, 2022.

Capital Deficiency

Total Capital Deficiency

The Group recorded total capital deficiency of ₱29.58 million as of March 31, 2023, a 4% improvement from December 31, 2022 with a figure of ₱30.70 million. The decrease is due to the total comprehensive income recognized for the period.

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

Cashflows

	For the three-month periods ended March 31	
	2023	**2022**
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(20.60)	(12.18)
Net cash provided by Investing Activities	2.41	1.45
Net cash provided by (used in) Financing Activities	(0.05)	99.86
Effect of foreign currency exchange changes in cash	2.81	(5.20)
Net increase (decrease) in cash	(15.43)	83.93
Cash at beginning of period	63.31	35.95
Cash at end of period	**47.88**	**119.88**

Cash Flows from Operating Activities

For the first three months of 2023, operating loss before changes in working capital of ₱10.01 million was coupled with the corresponding increase in receivables, other assets and contract liabilities and decrease in contract assets and account and other payables resulted in ₱20.68 million net cash used for operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash used in operating activities of ₱20.60 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2023 was ₱2.41 million compared to ₱1.45 million used in the same period of 2022. This comprises proceeds from sale of cryptocurrencies and property and equipment amounting to ₱2.66 million and ₱0.06 million, This was decreased by acquisitions of property and equipment for the period.

Cash Flows from Financing Activities

The cash flow used in financing activities for the first quarter of 2023 was ₱0.05 million which decreased from net cash provided of ₱99.86 million in the same period in 2022 The cash flow provided in financing activities in Q1 2022 were mainly from the proceeds of the equity infusion. For the first quarter of 2023, this is only composed of payments to loans payable amounting to ₱0.05 million.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2023, and the year ended December 31, 2022, amounted to ₱2.67 million and ₱5.34 million, respectively.

Key Financial Data In PhP Millions	March 31, 2023 Additions	December 31, 2022 Additions
Right-of-use Assets	2.06	-
Developed software	0.28	1.10
IT Equipment	0.32	4.07
Office Equipment	-	0.17
	2.67	**5.34**

Key Performance Indicators

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

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

In Percentage	As of and for the three-month periods ended March 31		As of and for the year ended December 31, 2022
	2023	2022	
Liquidity Ratios			
Current Ratio	**37%**	42%	37%
Quick Ratio	**33%**	38%	34%
Asset-to-Equity Ratio	**567%**	364%	568%
Profitability Ratios			
Net Loss Margin	**(28%)**	(8%)	(23%)
Gross Margin	**26%**	18%	25%
Operating Margin	**(24%)**	(5%)	(23%)
Return on Total Assets	**(2%)**	(1%)	(9%)
Return on Equity	**(12%)**	3%	(49%)
Debt Ratios			
Debt-to-Equity Ratio	**5.94x**	3.24x	5.97x
Interest Coverage Ratio	**(6.11x)**	(1.65x)	(6.42x)

Liquidity Ratios

Current ratio as of March 31, 2023 and December 31, 2022 was 37%. Meanwhile, quick ratio was at 33% and 34% as of March 31, 2023 and December 31, 2022, respectively, a mere 1% decrease.

Asset-to-Equity Ratio

There was a decrease in the asset-to-equity ratio from 568% as of December 31, 2022, to 567% on March 31, 2023 due to slight increase in assets for the period.

Profitability Ratios

Profitability ratios such as net loss margin, operating loss margin and return on total assets increased to (28%), (24%) and (2%) respectively from their prior year ratios. This is due to the higher net loss generated this first quarter of 2023 compared with the same period of last year. Return on equity decreased to (12%) compared with same period of the prior year due to the capital deficiency position as of Q1 2023.

Debt Ratio

Debt-to-equity on March 31, 2023, slightly decreased to 5.94x from 5.97x as of December 31, 2022. The decrease in the gearing ratio was attributed to the increase in equity attributable to equity holders of the Parent Company. Interest coverage ratio as of March 31, 2023, was at -6.11x compared to -1.65x on March 31, 2022.

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

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

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material 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. The sale of the assets of Altitude Games Pte. Ltd (SG Entity) has been approved where Xurpas Inc. has a 21.17% stake. Upon effectivity of sale, Xurpas will receive the proceeds from the sale and discharge of corresponding liabilities. Aside from this, there are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

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

vii. Seasonality. The Group is not subject to the seasonality.

Full year 2022 compared with 2021

Key Financial Data In PhP Millions	For the years ended December 31 2022 Amount	 Percentage	 2021 Amount	 Percentage	 Amount Change	 % Increase (Decrease)
Revenues						
Mobile consumer services	15.68	7%	40.55	19%	(24.87)	(61%)
Enterprise services	167.81	74%	117.57	56%	50.24	43%
Other services	43.83	19%	51.91	25%	(8.08)	(16%)
Total Revenues	**227.32**	**100%**	**210.03**	**100%**	**17.29**	**8%**
Cost of Services	169.79	75%	158.88	76%	10.92	7%
Cost of Goods Sold	-	0%	13.93	7%	(13.93)	(100%)
Gross Profit	**57.53**	**25%**	**37.22**	**18%**	**20.30**	**55%**
General and Administrative Expenses	150.90	66%	85.25	41%	65.65	77%
Equity in Net Losses of Associates	4.28	2%	0.32	0%	3.96	1,238%
Finance Costs and Other Income - Net	(26.00)	(10%)	(19.22)	(9%)	6.77	35%
Loss Before Income Tax	**(71.66)**	**(32%)**	**(29.12)**	**(14%)**	**42.54**	**146%**
Provision for (Benefit from) Income Tax	4.24	2%	(2.96)	(1%)	7.20	243%
Net Loss	**(75.90)**	**(33%)**	**(26.16)**	**(12%)**	**49.74**	**190%**
Other Comprehensive Income (Loss)	(46.89)	(21%)	13.60	6%	(60.49)	(445%)
Total Comprehensive Loss	**(122.79)**	**(54%)**	**(12.56)**	**(6%)**	**110.23**	**878%**

	Dec. 31, 2022 Amount	Dec. 31, 2021 Amount	Amount Change	% Increase (Decrease)
Total Assets	602.66	605.94	(3.28)	(1%)
Total Liabilities	633.36	613.85	19.51	3%
Total Capital Deficiency	(30.70)	(7.91)	22.79	288%

The Group's total revenue in 2022 was ₱227.32 million, an 8% increase from results in 2021. Despite the improvement in revenues, due to external factors discussed, net loss was at ₱75.90 million in 2022 (a 190% deterioration in comparison to the ₱26.16 million net loss in 2021). Majority of the increase in revenue was driven by enterprise services which generated ₱167.81 million or 74% of the total revenue. This was followed by other services and mobile consumer services which generated ₱43.83 million (19% of total revenues) and ₱15.68 million (7% of total revenues), respectively in 2022.

The blended cost of services in 2022 went up from ₱158.88 million to ₱169.79 million as compared to 2021 which is consistent with the increase in revenues primarily under IT staff augmentation. The increase is also contributed by the substantial increase of outside services of AllCare in correlation to its increase in revenue for 2022.

Gross margin on total revenues went up significantly by 55% from a gross profit of ₱37.22 million during 2021 to a gross profit of ₱57.53 million in 2022 and is driven by the increase in revenues for the period. There was also an increase in the overall gross profit margin to 25% in 2022 from 18% in 2021.

General and administrative expenses (GAEX) increased by 77%, from ₱85.25 million in 2021 to ₱150.90 million in 2022. The increase is largely caused by non-recurring operating expenses incurred for the year such as provision for impairment losses, unrealized foreign exchange losses, and write-offs of receivables which are non-cash expenses amounting to ₱53.17 million. In addition, salaries and wages also contributed to the increase in 2022 GAEX due to additional management and manpower which is imperative to continuously achieve growth and to be able to implement expansion as part of the Company's plan.

Excluding the non-recurring expenses incurred, pre-tax operating loss is lower by 22% in 2022 compared with the previous year. Non-recurring expenses pertaining to unrealized forex and impairment losses and write-offs amount to ₱53.17 million in 2022 compared with the ₱5.48 million figure in 2021. These non-recurring, non-cash expenses are largely brought by uncontrollable external factors.

	2022	2021	Amount Change	% Increase (Decrease)
Loss before tax	(71.66)	(29.12)	(42.54)	146%
Exclude:				
Non-recurring expenses	53.17	5.48	47.69	871%
Loss before tax excluding non-recurring expenses	**(18.49)**	**(23.64)**	**5.15**	**-22%**

The Company also shares in the recorded net losses of its associate companies, which amounted to ₱4.28 million for the year ended December 31, 2022 (a 1,238% increase from 2021).

Revenues and net income contributed by foreign operations for the year ended December 31, 2022 amounted to nil and ₱30.87 million (which is mostly attributable to a one-off gain recognized by AOC), respectively. This corresponds to nil and -41% of the consolidated revenues and net loss, respectively, for the said period. The negative percentage resulted from dividing the net income contributed by foreign operations over the consolidated net loss for 2022.

Consolidated total assets decreased from ₱605.94 million as of December 31, 2021 to ₱602.66 million as of December 31, 2022. Despite the impairment of Storm assets and investment goodwill in MBL, the Group saw minimal change in total assets due to the compensating increase in working capital assets particularly from mobile consumer and enterprise services segments.

Consolidated total liabilities also went slightly higher by 3% from ₱613.85 million as of December 31, 2021 to ₱633.36 million as of December 31, 2022 largely due to the foreign exchange revaluation of foreign-denominated payables like advances from stockholders and constructive obligations of ODX. Lastly, consolidated capital deficiency went up to ₱30.70 million as of December 31, 2022, from a capital deficiency of ₱7.91 million in 2021 mainly due to the total comprehensive loss recognized by the Group in 2022 amounting to ₱122.79 million, a result of the mark to market valuation of the assets due to the deterioration of the Philippine peso vis-à-vis US Dollar and Singapore dollar; and the drop in prices of Bitcoin and Ethereum.

Segment Financial Performance

For the year ended December 31, 2022	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Total Service Revenues	**17.42**	**219.75**	**43.83**	**(53.68)**	**227.32**
Operating expenses	26.91	306.12	84.81	(97.15)	320.69
Equity in net losses of associates	-	-	-	4.28	4.28
Other charges (income) - net	(42.31)	19.25	1.86	(4.80)	(26.00)
Total Expenses (Other Income) - net	**(15.40)**	**325.37**	**86.67**	**(97.67)**	**298.98**
Operating Income (Loss)	**32.82**	**(105.62)**	**(42.85)**	**43.99**	**(71.66)**
Benefit from (Provision for) Income Tax	(0.14)	(4.11)	0.01	-	(4.24)
Net Income (Loss)	**32.68**	**(109.73)**	**(42.84)**	**43.99**	**(75.90)**

Xurpas Group operates under mobile consumer services, enterprise services and other services, which refers to the business of Storm Technologies. Prior to eliminations, for the year ended December 31, 2022, the enterprise services generated the majority of the total revenues amounting to ₱219.75 million. This is followed by other services which amounted to ₱43.82 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱17.42 million.

Prior to eliminations, enterprise services and other services incurred net losses amounting to ₱109.73 million and ₱42.84 million, respectively. A significant contributor to the net loss of other services in 2022 is the suspension of the Flex Benefits operations of its subsidiary, Storm Technologies.

Conversely, mobile consumer services earned net income of ₱32.68 million primarily due to the gain from derecognition of long-outstanding payables of AOC amounting to ₱40.73 million. After effecting intersegment adjustments, enterprise services and other services improved its bottom line to ₱65.82 million and ₱42.37 million respectively, while mobile consumer services decreased to ₱32.29 million.

Profitability

For the year ended December 31, 2022, compared with the year ended December 31, 2021.

Revenues

The consolidated revenues of the Group for the year ended December 31, 2022, amounted to ₱227.32 million, an increase of 8% from ₱210.03 million of the previous year.

Segment	Description	Subsidiaries
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	• Xurpas Enterprise • Xurpas Parent Company • Seer
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits – from insurance, health checks and wellness.	• AllCare

In PhP Millions	For the years ended December 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Revenues						
Enterprise services	167.81	74%	117.57	56%	50.24	43%
Mobile consumer services	15.68	7%	40.55	19%	(24.87)	(61%)
Other services	43.83	19%	51.91	25%	(8.08)	(16%)
Total Revenues	**227.32**	**100%**	**210.03**	**100%**	**17.29**	**8%**

In 2022, enterprise services generated the most revenues at ₱167.81 million or 74% of total revenues. The enterprise services segment is comprised of the following business units:

In PhP Millions	For the years ended December 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
Enterprise Services						
IT staff augmentation	116.98	70%	90.67	77%	26.31	29%
Custom software development	46.49	28%	24.03	20%	22.46	93%
Business solutions	1.89	1%	0.58	1%	1.31	227%
Others	2.45	1%	2.29	2%	0.16	7%
Total Enterprise Services	**167.81**	**100%**	**117.57**	**100%**	**50.25**	**43%**

The growth in total revenues is primarily steered by the company's focus on growing its IT staff augmentation enterprise business which is 70% of the total enterprise revenue volume. This increased by 29%, from ₱90.67 million in 2021 to ₱116.98 million in 2022. This coming from a mere ₱16.14 million in 2020. Custom software development revenues comprising 28% of the total enterprise revenue, increased by 93%, from ₱24.03 million in 2021 to ₱46.49 million in 2022. Revenues from business solutions also increased by 227% from 2021 to 2022. Xurpas aims to improve further these revenue-generating segments by its ongoing expansion plans which will enable it to continue providing innovative solutions to its customers while expanding its global footprint.

In contrast, other services recorded a decrease in revenue amounting to ₱43.83 million (from ₱51.91 million in 2021) or a 16% decline as a result of the suspension of the Flex Benefits segment business of Storm. However, the ongoing expansion of AllCare, a majority-owned subsidiary of Storm Technologies, generated an increase in revenues of ₱17.47 million (66%), from ₱26.35 million for the year ended December 31, 2021 to ₱43.83 million in 2022. Revenues generated by mobile consumer services also decreased amounting to ₱15.68 million (61%) from the previous year.

Expenses

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	169.79	53%	158.88	62%	10.92	7%
Cost of Goods Sold	-	0%	13.92	5%	(13.92)	(100%)
General and Administrative Expenses	150.90	47%	85.25	33%	65.65	77%
Total Expenses	**320.69**	**100%**	**258.05**	**100%**	**62.64**	**24%**

The Group's consolidated expenses during the year ended December 31, 2022 amounted to ₱320.69 million, a 24% increase from the same period of the previous year at ₱258.05 million. In 2022, only cost of services and GAEX accounted for the total expenses.

Cost of Services

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	113.14	67%	91.27	58%	21.87	24%
Outside services	29.18	17%	16.67	10%	12.51	75%
Outsourced services	16.25	10%	35.47	22%	(19.22)	(54%)
Depreciation and amortization	6.15	4%	7.41	5%	(1.26)	(17%)
Others	5.07	3%	8.06	5%	(2.99)	(37%)
Total Expenses	**169.79**	**100%**	**158.88**	**100%**	**10.92**	**7%**

The cost of services in 2022 amounted to ₱169.79 million, an increase from the ₱158.88 million in 2021. 67% of the cost of services came from salaries and wages, and outside services which amounted to ₱113.14 million and ₱29.18 million, respectively; and recorded a 24% and 75% increase. This is pushed by the increase in manpower relating to IT staff augmentation and higher outside services by AllCare due to the increase in benefits and claims resulting from the growth in revenue during the period.

Cost of Goods Sold (COGS)

The Group recorded COGS amounting to nil and ₱13.92 million for the years ended December 31, 2022 and 2021, respectively. The COGS is directly attributable to the Flex Benefits operations of Storm which was suspended in 2022.

General and Administrative Expenses (GAEX)

In PhP Millions	For the years ended December 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
General and Administrative Expenses						
Provision for impairment losses and loss on write off	50.17	33%	2.63	3%	47.54	1,807%
Salaries, wages and employee benefits	44.56	30%	31.46	37%	13.10	42%
Outsourced services	5.96	4%	1.03	1%	4.93	479%
Marketing and promotions	7.16	5%	4.57	5%	2.59	57%
Professional fees	14.17	9%	15.78	19%	(1.61)	(10%)
Others	28.88	19%	29.76	35%	(0.88)	(3%)
Total Expenses	**150.90**	**100%**	**85.25**	**100%**	**65.65**	**77%**

General and administrative expenses relating to the Group's operations, for the year 2022, amounted to ₱150.90 million, higher by 77% compared to previous year's level of ₱85.25 million. The significant change in this account was caused by the following:

- Provision for impairment loss accounted for 33% in 2022 and increased by 1,807% vis-à-vis in 2021. During the year, the Company wrote down and provided allowance for the impairment of Storm's assets amounting to ₱17.05 million, due to the suspension of its flex benefits operations. A provision was also recognized for the impairment of the Company's investment in MicroBenefits, an associate, amounting to ₱24.97 million. There is an unrealized foreign exchange loss on the advances of the Founders, amounting to ₱8.79 million.
- Salaries and wages accounted for 30% in 2022 and increased by 42% vis-à-vis in 2021 due to the related increase in manpower for the year. Additional executives and managers were brought in the Company and are deemed essential for the Company's growth and expansion.
- Higher marketing and promotions were incurred in 2022 due to the continuing expansion of AllCare for its HMO and pre-need employee benefits business.
- Professional fees and other expenses, on the other hand, decreased by 10% and 3% respectively due to continuous cost reduction efforts of the management compared with the last year.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the year ended December 31, 2022, amounted to ₱4.28 million, 1,238% higher compared to the ₱0.32 million share in net losses for the comparable period. 9Lives generated net income for the period but was offset by the losses incurred by other associates, Altitude SG and MicroBenefits.

Finance Costs– net

For the year ended December 31, 2022 and 2021, the Group posted a slight 1% increase in finance costs of ₱9.20 million and ₱9.15 million, respectively.

Other Income – net

For the year ended December 31, 2022, the Group recognized other income, net amounting to ₱35.20 million. The increase in this account was attributable to higher gain from derecognition of long-outstanding payables amounting to ₱40.91 million, 111% higher than in 2021. These payables mainly pertain to AOC. The said gain was partially reduced by the increase in FOREX loss amounting to ₱7.45 million, also higher by 53% in 2022 than in 2021.

Loss before Income Tax

The Group's loss before taxes for the year ended December 31, 2022, resulted to ₱71.66 million. The loss before income tax for the Group increased by 146% from the ₱29.12 million loss before income tax in 2021.

Should the Company exclude the one-off transactions incurred in 2022 and in 2021, the Company's pre-tax operational loss improved by 22% from the previous year.

	2022	2021	Amount Change	% Increase (Decrease)
Loss before tax	(71.66)	(29.12)	(42.54)	146%
Exclude:				
Non-recurring expenses	53.17	5.48	47.69	871%
Loss before tax excluding non-recurring expenses	**(18.49)**	**(23.64)**	**5.15**	**-22%**

Provision for (Benefit from) Income Tax

The Group recognized ₱4.24 million provision for income tax for the year ended December 31, 2022 vis-à-vis the ₱2.96 million benefit from income tax in 2021. Provision for income tax mainly pertains to enterprise services segment incurring income tax expense amounting to ₱4.11 million.

Net Loss

The Group posted a consolidated net loss of ₱75.86 million for the year ended December 31, 2022, an increase in net loss of 190% from the previous year's ₱26.16 million loss.

Other Comprehensive Income (Loss)

In 2022, the Group posted a ₱46.93 million in other comprehensive loss mainly from cumulative translation adjustment and revaluation of cryptocurrencies amounting to ₱32.31 million and ₱20.78 million respectively. This figure was a 445% decline from the 2021 other comprehensive income of ₱13.60 million. This decline was generally caused by the deterioration of the Philippine peso against foreign currencies and the decrease in the fair value of cryptocurrencies which can be seen in the below table.

	Foreign exchange rates		Cryptocurrency price	
	USD to PhP	**SGD to PhP**	**BTC**	**ETH**
December 31, 2021	USD1.00 to ₱50.77	SGD1.00 to ₱37.55	USD46,220	USD3,683
December 31, 2022	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197

Total Comprehensive Income (Loss)

For the year ended December 31, 2022, the Group's total comprehensive loss amounted to ₱122.79 million, which deteriorated in relation to the total comprehensive loss of ₱12.56 million for the year ended December 31, 2021.

Financial Position

As of December 31, 2022, compared to December 31, 2021.

Assets

Cash

The Group's consolidated cash amounted to ₱63.31 million for the year ended December 31, 2022. This is a net increase of 76% or ₱27.36 million from the consolidated cash of ₱35.95 million as of December 31, 2021 which is mainly due to the capital infusion that occurred early in 2022.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱96.71 million and ₱66.54 million as of December 31, 2022 and 2021, respectively. The increase of ₱30.13 million was primarily attributed to the increase of trade receivables for the period, as a result of the increase in enterprise revenues. Out of the consolidated accounts and other receivables, 81% or ₱78.35 million pertains to trade receivables – net and ₱32.31 million or 41% of the trade receivables – net is collectible from Globe Telecom.

Contract Assets

The Group's consolidated contract assets increased by ₱19.54 million from ₱29.76 million as of December 31, 2021 to ₱49.30 million as of December 31, 2022 due to increase in staff augmentation projects and revenues. Out of the consolidated contract assets, 73% or ₱35.98 million pertains to Globe Telecom.

Other Current Assets

As of December 31, 2022, the Group's consolidated other current assets totaled ₱15.07 million, a decrease of ₱6.01 million or 29% from its previous level on December 31, 2021 of ₱21.09 million. Prepaid expenses, creditable withholding taxes and input VAT comprise majority of other current assets. Decrease during the period was primarily due to the recognition of impairment loss for the other current assets of Storm.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of December 31, 2022, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱1.20 million, a 100% increase compared to the 2021 balance of ₱0.60 million resulting from the price appreciation of Club Punta Fuego club shares.

Investment in and Advances to Associates

As of December 31, 2022, the Group's consolidated investment in associates decreased from ₱336.22 million as of December 31, 2021, to ₱294.97 million. The substantial decline in the carrying amount of this account was brought about by the following factors:

- Equity in net losses of associates recognized by the Group amounted to ₱4.28 million, 1,238% higher than in 2021;
- Share in other comprehensive loss of associates from cumulative translation adjustment amounted to ₱12.00 million, 199% higher than in 2021. The increase was caused by the deterioration of the Philippine peso against foreign currencies; and

- The Group recognized impairment loss on its investment in MBL amounting to ₱24.97 million.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱232.35 million), Altitude Games Pte Ltd. (₱20.43 million), and SDI (₱20.10 million). Further, advances to SDI as of December 31, 2022 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱5.61 million as of December 31, 2022, vis-à-vis ₱4.66 million as of December 31, 2021. The Group acquired property and equipment amounting to ₱4.25 million as of December 31, 2022. Depreciation expense amounted to ₱3.24 million and ₱2.38 million for the year ended December 31, 2022, and 2021, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of December 31, 2022 and 2021 amounted to ₱0.17 million and ₱1.17 million, respectively. Depreciation expense pertaining to ROU asset amounted to ₱1.01 million for the year ended December 31, 2022.

Intangible Assets

As of December 31, 2022, intangible assets amounted to ₱63.11 million which decreased from the ₱88.51 million balance as of December 31, 2021. This is composed of goodwill, developed software, and cryptocurrencies.

- 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, 2022, goodwill was at ₱48.22 million.
- Developed software pertains to corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2022, net book value of developed software was ₱1.07 million. Additions and amortization of developed software for the year ended December 31, 2022 amounted to ₱1.10 million and ₱6.15 million, respectively. The Group also recognized impairment loss amounting to ₱1.02 million as a result of the suspension of Storm's Flex Benefits operations.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as of December 31, 2022, valued at ₱13.55 million. Revaluation surplus recorded under "Other Comprehensive Losses" in 2022 amounted to ₱20.78 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱13.52 million as of December 31, 2022 vis-à-vis the ₱21.43 million balance as of December 31, 2021. The decrease of 37% is caused by the provision of impairment loss on the noncurrent assets of Storm.

Liabilities

Accounts and Other Payables

The payables comprise of other payables, trade payables, payable to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

The Group's consolidated accounts and other payables was at ₱386.68 million as of December 31, 2022. The increase of 1% or ₱4.98 million from the ₱381.70 million balance as of December 31, 2021 is primarily due to the FOREX revaluation of the constructive obligation of ODX. Higher output VAT driven by the growth in revenues also contributed to the increase in total accounts and other payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱152.35 million and ₱143.56 million as of December 31, 2022 and 2021. The increase was brought about by FOREX revaluation of one of the loan agreements which is denominated in US Dollar.

Loans Payable

The Group recorded ₱33.82 million and ₱29.73 million in current loans as of December 31, 2022 and 2021, respectively. This is mainly attributable to the loans of subsidiaries, Storm and Seer which are interest-bearing and short-term. The increase was due to the reclassification from noncurrent liability of Storm loans payable that will fall due in 2023.

Contract Liabilities

The Group's consolidated contract liabilities as of December 31, 2022, amounted to ₱34.45 million, an increase of 34% from the December 31, 2021 figure of ₱25.76 million. The increase in this account was the result of the growing HMO business of AllCare.

Current Portion of Lease Liability

The Group recognized a lease liability for its office space in Antel. Current portion of the lease liability as of December 31, 2022 amounted to ₱0.17 million. As of the yearend, no noncurrent portion was recognized since the lease contract ends in April 2023.

Loan Payable – net of current portion

This account pertains to the noninterest bearing loan agreement entered by Storm amounting to₱17.32 million. The loan is payable in monthly installments over one (1) to five (5) years. As of December 31, 2022, outstanding balance of the loan amounted to ₱11.57 million of which ₱4.56 million was classified as noncurrent.

Deferred tax liability

Deferred tax liability as of December 31, 2022 amounted to ₱3,323 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group amounted to ₱21.31 million and ₱22.83 million as of December 31, 2022 and 2021, respectively. The decrease was caused by the resignation of a key management personnel in 2022 partially offset by the increase in manpower for the Company's IT staff augmentation operations.

Capital Deficiency

Total Capital Deficiency

The Group recorded total capital deficiency of ₱30.70 million as of December 31, 2022, a 288% increase from December 31, 2021 with a figure of ₱7.91 million. This was mainly due to the total comprehensive loss incurred during the year which was materially affected by (1) impairment of investment in MBL; (2) impairment of Storm assets; and (3) the decreases in foreign exchange rates and cryptocurrency prices. This was partially negated by the capital infusion that occurred in the first quarter of 2022.

Outlook for 2023

Aligned with the country's steps to recover and grow economically in 2023, Xurpas continues to expand and build its business as it takes advantage of the widening of digital adoption or a shift to digitization not just in the country but the world post-pandemic.

Consistent with last year's plans, the Group is maintaining its focus and efforts on IT Staff Augmentation, growing its products and services under custom software development and business solutions and seizing opportunities brought by Web 3.0. In order to achieve these objectives, the Group aligned some strategies to better maximize its competitive advantage. These strategies involve i) geographical -–extending presence beyond the country's borders ii) operational– streamlining its operations and reinforcing marketing efforts with digital marketing and iii) product expansion– focusing on the latest technological advances, including machine learning and artificial intelligence.

1. IT Staff Augmentation: The demand continues to increase for IT staff augmentation year-on-year and is proven by the continuing increase in revenues for 2022 since it was launched. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. This also led to the Group's decision to expand its digital influence geographically to cover other markets in need of their services even beyond the country's borders. In 2023, the Company has announced its plans to establish its presence in Australia, with the aim of introducing its product offerings to larger markets.

2. Custom Software Development: As technology becomes increasingly ingrained in a lot of businesses, the demand to adopt digital transformation has also been increasing for the custom software development business. It has been one of their top priorities as they focus to keep up with these technological changes in order to stay relevant and competitive in the market. The Group has observed an increase in demand for its custom software development in 2022 where revenues substantially increased by 131% from last year. With this, Xurpas will continue to take this opportunity to maximize its expertise in providing these types of services in the market.

3. Digital Business Solutions: As the Company aims to curate a regional marketplace of B2B software services and products, it is targeting to cater the large untapped SME Market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SMEs. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners. Incorporation of Xurpas Software, Inc. is one of the actions being undertaken to fulfill this objective. This will focus on providing business solutions of various technological products and services to different industries from different scales.

4. Web 3.0: This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

As for the general and administrative expenses, Xurpas will continuously implement and monitor its cost reduction and containment program that would minimize or ensure efficient use of expenses such as rent, utilities, marketing and promotions, advertising, transportation and travel, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs relating to rent, utilities, and the like.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all its accounts. The Group has some bank debt through Storm Technologies and Seer Technologies Inc. which are short term in nature.

Cashflows

	For the years ended December 31	
	2022	2021
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(66.12)	(39.21)
Net cash used in Investing Activities	(6.40)	10.71
Net cash provided by Financing Activities	98.55	(3.79)
Effect of foreign currency exchange changes in cash	1.34	0.49
Net increase (decrease) in cash	27.36	(31.79)
Cash at beginning of period	35.95	67.74
Cash at end of period	**63.31**	**35.95**

Cash Flows from Operating Activities

In 2022, operating income before changes in working capital of ₱13.87 million was coupled with the corresponding decrease in working capital resulted in ₱62.11 million net cash used from operations. In consideration of the interest paid and received and income taxes paid, this resulted to a net cash used in operating activities of ₱66.12 million.

Cash Flows from Investing Activities

The Group's net cash used in investing activities for the year 2022 was ₱6.40 million compared to ₱10.71 million provided in 2021. This comprises payments of acquisition of property and equipment and intangible assets during the period.

Cash Flows from Financing Activities

The net cash provided by financing activities in 2022 was ₱98.55 million which increased from net cash used of ₱3.79 million in 2021 The cash provided by financing activities were mainly from the proceeds of the equity infusion that have transpired in the first quarter of 2022 amounting to ₱100.00 million and is slightly decreased by payment of loans and lease liabilities amounting to ₱1.04 million and ₱0.41 million respectively.

Capital Expenditure

The Group's capital expenditures for the year ended December 31, 2022 and 2021 amounted to ₱4.26 million and ₱5.20 million, respectively.

Key Financial Data In PhP Millions	December 31, 2022 Additions	December 31, 2021 Additions
Right-of-use Assets	-	2.01
Developed software	1.10	0.39
IT Equipment	4.07	2.44
Leasehold Improvements	-	0.32
Office Equipment	0.17	0.03
	5.34	**5.20**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2022	2021	2020
Liquidity Ratios			
Current Ratio	**37%**	26%	31%
Quick Ratio	**34%**	23%	27%
Asset-to-Equity Ratio	**568%**	575%	613%
Profitability Ratios			
Net Loss Margin	**(23%)**	(4%)	(34%)
Gross Margin	**25%**	18%	5%
Operating Margin	**(23%)**	(4%)	(19%)
Return on Total Assets	**(9%)**	(1%)	(9%)
Return on Equity	**(49%)**	(8%)	(53%)
Debt Ratios			
Debt-to-Equity Ratio	**5.97x**	5.82x	6.09x
Interest Coverage Ratio	**(6.61x)**	(2.18x)	(5.92x)

Liquidity Ratios

Current Ratio and Quick Ratio for the year ended December 31, 2022, were 37% and 34%, respectively, an increase from their respective 26% and 23% figures as of December 31, 2021. The increase in both ratios was primarily from the increase of current assets of the Group for that period.

Asset-to-Equity Ratio

There is a decrease in the asset-to-equity ratio from 575% as of December 31, 2021, to 568% as of December 31, 2022 due to a higher increase in equity attributable to parent relative to the increase in assets as of December 31, 2022.

Profitability Ratios

For the year ended December 31, 2022, the Group recorded net loss attributable to equity holders of Xurpas Inc. amounting to ₱54.74 million which resulted to net loss margin, operating margin, return on total assets and return on equity of (23%), (23%), (9%) and (49%). On the other hand, gross margin increased to 25% in 2022 from the 18% gross margin in 2021.

Debt Ratios

Debt to equity ratio on December 31, 2022, increased to 5.97x from 5.82x as of December 31, 2021. The increase in the gearing ratio was attributed to the higher liabilities as of December 31, 2022. Interest coverage ratio for the year 2022, was at negative 6.61x compared to 2.18x in 2021.

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. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.
ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
vii. Seasonality. The Group is not subject to seasonality.

Full year 2021 compared with 2020

Summary

	Years ended December 31								Percentage Change						
Php Millions	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2021vs2020**	**2020vs2019**	**2019vs2018**	**2018vs2017**	**2017vs2016**	**2016vs2015**	**2015vs2014**
Revenues	210.03	174.01	971.96	1,242.20	2,103.57	1,947.14	898.37	378.32	21%	-82%	-22%	-41%	8%	117%	137%
Gross Profit	37.23	8.81	146.49	109.59	649.15	803.43	513.87	264.45	323%	-94%	34%	-83%	-19%	56%	94%
Income (Loss) before Income Tax	(29.12)	(73.54)	(2,609.21)	(667.13)	122.04	379.10	331.10	239.14	-60%	-97%	291%	-647%	-68%	14%	38%
Net Income (Loss)	(26.16)	(68.82)	(2,635.36)	(811.64)	102.57	264.84	229.62	190.72	-62%	-97%	225%	-891%	-61%	15%	20%
Revenues															
Mobile Consumer Services	40.55	22.00	19.92	270.86	1,336.54	1,239.92	576.06	309.37	84%	10%	-93%	-80%	8%	115%	86%
Enterprise Services	117.57	88.24	854.73	875.61	667.60	653.14	243.45	68.95	33%	-90%	-2%	31%	2%	168%	253%
Other Services	51.91	63.77	97.31	95.72	99.44	54.07	78.87	-	-19%	-34%	2%	-4%	84%	-31%	n.a.

In 2021, the COVID-19 pandemic continued to be a challenge as it widened its transmission. The situation has been greatly eased by the mass vaccination programs both done by the public and private sectors which resulted in a generally more stable and predictable economic environment over the year. Xurpas was able to adjust and stabilize their operations which is evident in the financials. The Group still posted a 21% increase in revenues and was mainly driven by the increase in staff augmentation under enterprise services. Increase of 84% was also noted in mobile consumer services and this was brought by the gain on derecognition of long-outstanding payables of AOC amounting to ₱16.91 million. Aside from the substantial growth in staff augmentation, AllCare continues to generate an impressive increase in revenues of 203% from ₱8.70 million in 2020 to ₱26.35 million in 2021.

Overall, aligned with the Company's directives to maximize the revenue potential under staff augmentation and continuous cost reduction efforts, net loss of ₱26.16 million recognized in 2021 improved by 62% from last year's net loss of ₱68.82 million. With this result, the Group continues to remain optimistic that its operations can still continue to expand as they continue to strengthen the IT staff augmentation by growing their business relationships with potential and existing long-term clients. Xurpas is also positive that reaching out to the large untapped SME market to offer its services under business solutions and optimizing its competitive advantage by leveraging its existing global network going into Web 3.0 can also contribute to the ongoing recovery and growth of the Group.

Financial Summary

Key Financial Data In PhP Millions	For the year ended December 31 2021 Amount	2021 Percentage	2020 Amount	2020 Percentage	Amount Change	% Increase
Revenues						
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Other services	51.91	25%	63.77	37%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.01**	**21%**
Cost of Services	158.88	76%	127.19	73%	31.69	25%
Cost of Goods Sold	13.92	7%	38.01	22%	(24.09)	-63%
Gross Profit (Loss)	**37.23**	**18%**	**8.81**	**5%**	**28.41**	**323%**
General and Administrative Expenses	85.25	41%	119.85	69%	(34.60)	-29%
Equity in Net Losses (Earnings) of Associates	0.32	0%	7.75	4%	(7.43)	-96%
Finance Costs and Other Income - net	(19.22)	-9%	(45.25)	-26%	26.02	-58%
Loss Before Income Tax	**(29.12)**	**-14%**	**(73.54)**	**-42%**	**44.42**	**-60%**
Provision for (Benefit from) Income Tax	(2.96)	-1%	(4.72)	-3%	1.76	-37%
Net Loss	**(26.16)**	**-12%**	**(68.82)**	**-40%**	**42.66**	**-62%**
Other Comprehensive Income (Loss)	13.60	6%	36.03	21%	(22.43)	-62%
Total Comprehensive Loss	**(12.56)**	**-6%**	**(32.79)**	**-19%**	**20.23**	**-62%**

	Dec. 31, 2021 Amount	Dec. 31, 2020 Amount	Amount Change	% Increase
Total Assets	605.94	617.06	(11.12)	-2%
Total Liabilities	613.85	612.41	1.44	1%
Total Equity	(7.91)	4.65	(12.56)	-270%

In 2021, the Group generated revenue of ₱210.03 million which was 21% higher than 2020 revenue of ₱174.01 million. Likewise, net loss also went down by 62% from ₱68.82 million in 2020 to ₱26.16 million in 2021. The enterprise segment generated the majority of the revenue with 56% contribution or ₱117.57 million, followed by other revenues and mobile consumer services which generated 25% and 19% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2021 and is aligned with the Group's 2021 directive to focus on expanding this segment due to its demand and potential contribution to the Company's growth.

The aggregate cost of services of the Group increased from ₱127.19 million in 2020 to ₱158.88 million in 2021 or 25% increase. The rise is brought by the increase in salaries and wages and outsourced services parallel to the increase of its corresponding revenue.

The Group's general and administrative expenses (GAEX) went down from ₱119.85 million in 2020 to ₱85.25 million in 2021 or 29% decrease. GAEX in 2020 was higher primarily due to the provision for impairment loss totaling to ₱16.03 million. Other GAEX items such as salaries and wages, professional fees, rent, utilities, taxes and licenses, advertising, and seminars and training decreased as part of the continuing cost cutting measures implemented by the Company.

The Group recorded a 96% decline for the equity in net losses of associates, from ₱7.75 million in 2020 to an equity in net loss of ₱0.32 million in 2021. The finance costs and other income charges (net) incurred by the Group were ₱19.22 million and ₱45.25 million in 2021 and 2020, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks. For the other income, there was also a decrease in this account due to the absence of penalties earned from late payment of customers, gain on sale of a subsidiary and foreign exchange gain which was present in 2020.

In 2021, the Group reported a benefit from income tax amounting to ₱2.96 million as compared to last year wherein the Group recognized ₱4.72 million benefit from income tax.

The total comprehensive loss of the Group was ₱12.56 million in 2021, which was 62% lower than the 2020 figure of ₱32.79 million.

Revenues and net income contributed by foreign operations for the year ended December 31, 2021 amounted to nil and ₱22.96 million (which is mostly attributable to a one-off gain recognized by AOC), respectively. This corresponds to nil and -88% of the consolidated revenues and net loss, respectively, for the said period. The negative percentage resulted from dividing the net income contributed by foreign operations over the consolidated net loss for 2021.

The Group's total assets in 2021 amounted to ₱605.94 million, a minimal decrease of 2% from 2020 recorded total assets of ₱617.06 million. The decline in assets was mostly due to lower current assets, namely, cash. Total liabilities, however, increased from ₱612.4 million in 2020 to ₱613.85 million as a result mainly of higher accounts and other payables. Lastly, the Group's total equity went down from ₱4.65 million in 2020 to a capital deficiency of ₱7.91 million in 2021 contributed by total comprehensive loss incurred by the end of the year.

Segment Financial Performance

For the year ended December 31, 2021 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	40.55	153.62	27.27	(36.05)	185.39
Revenue from sale of goods	-	-	24.64	-	24.64
Total Service Revenues	**40.55**	**153.62**	**51.91**	**(36.05)**	**210.03**
Operating expenses	54.34	178.16	73.19	(47.64)	258.05
Equity in net earnings of associates	-	-	-	0.32	0.32
Other charges (income) - net	(24.56)	5.83	(0.47)	(0.02)	(19.22)
Total Expenses	**29.78**	**183.99**	**72.72**	**(47.34)**	**239.15**
Operating Income (Loss)	**10.77**	**(30.37)**	**(20.81)**	**11.29**	**(29.12)**
Benefit from (provision for) income tax	0.24	2.76	(0.04)	-	2.96
Net Income (Loss)	**11.01**	**(27.61)**	**(20.85)**	**11.29**	**(26.16)**

In 2021, the mobile consumer services posted revenue, operating income, and net income of ₱40.55 million, ₱10.77 million and ₱11.01 million respectively. The net income earned by the mobile consumer segment was mainly attributable to the gain on derecognition of long-outstanding payables of AOC amounting to ₱16.91 million.

Enterprise services had an operating loss and net loss of ₱30.37 million and ₱27.61 million, respectively, from revenues of ₱153.62 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2021, compared with the twelve-month period ended December 31, 2020.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2021, amounted to ₱210.03 million, an increase of 21% from ₱174.01 million for the year ended December 31, 2020.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies • AllCare

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Other services	51.91	25%	63.77	36%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.02**	**21%**

Revenues from enterprise services, which accounted for 56% of total revenues, generated the highest percentage of the total revenues at ₱117.57 million. This is mainly driven by the Group's focus on staff augmentation services which resulted in a substantial growth in revenues amounting to ₱90.67 million in 2021 as compared to the ₱16.14 million in 2020 or a 462% increase. Other services generated ₱51.91 million or 25% of the total revenue. This figure was 19% lower than 2020 revenue of ₱63.77 million. Despite the decrease brought by the slowdown of the Storm marketplace, this was offset by AllCare, which generated an impressive increase in revenues of 203%, from ₱8.70 million in 2020 to ₱26.35 million in 2021. Lastly, mobile consumer services, on the other hand, generated ₱40.55 million or 19% of the total revenue. This figure was an 84% increase from 2020 revenues pertaining to this segment.

<u>Expenses</u>

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	158.88	62%	127.19	45%	31.69	25%
Cost of Goods Sold	13.92	5%	38.01	13%	(24.09)	-63%
General and Administrative Expenses	85.25	33%	119.85	42%	(34.60)	-29%
Total Expenses	**258.05**	**100%**	**285.05**	**100%**	**(27.00)**	**-9%**

The Group's consolidated expenses in 2021 amounted to ₱258.05 million, a 9% decrease from previous year's ₱285.05 million. Bulk of the expenses came from cost of services and GAEX which contributed 62% and 33% respectively, followed by COGS at 5%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	91.27	57%	70.50	56%	20.77	29%
Outsourced services	35.47	23%	19.25	15%	16.23	84%
Outside services	16.67	10%	5.37	4%	11.30	210%
Depreciation and amortization	7.41	5%	22.73	18%	(15.32)	-67%
Others	8.06	5%	9.34	7%	(1.28)	-14%
Total Expenses	**158.88**	**100%**	**127.19**	**100%**	**31.69**	**25%**

Cost of Services in 2021 was ₱158.88 million, a 25% increase from previous year's figure of ₱127.19 million. It is primarily composed of salaries and wages which incurred expenses of ₱91.27 million (57%), outsourced services amounting to ₱35.47 million (23%) and outside services from benefit claims and membership fees of AllCare amounting to ₱16.67 million (10%). All of them increased from last year as the Group upscaled its manpower for its staff augmentation business and also due to the substantial increase in revenue for AllCare. Other expenses, however, decreased by 14% compared with the prior year. Depreciation and amortization also declined in 2021 by 67% due to increase of assets that were already fully depreciated beginning 2021.

Cost of Goods Sold (COGS)

Cost of goods sold made up 5% of the Group's total consolidated expenses. This figure decreased by 63% from its 2020 level of ₱38.01 million to ₱13.93 million in 2021. The COGS is directly attributable to the flex benefits operations of Storm Technologies and lower revenue was generated from this in 2021.

General and Administrative Expenses (GAEX)

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	31.46	37%	39.62	33%	(8.16)	-21%
Professional fees	15.78	19%	24.06	20%	(8.28)	-34%
Marketing and promotions	4.57	5%	3.20	3%	1.37	43%
Transportation and travel	3.29	4%	2.69	2%	0.60	22%
Others	30.15	35%	50.28	42%	(20.13)	-40%
Total Expenses	**85.25**	**100%**	**119.85**	**100%**	**(34.60)**	**-29%**

In 2021, the GAEX of the Group's operations amounted to ₱85.25 million, which was lower than the GAEX posted in 2020 which amounted to ₱119.85 million. Expenses such as salaries and wages, professional fees and other GAEX decreased as part of the cost cutting measures implemented by the Company. Marketing and promotions and transportation and travel, on the other hand, increased in 2021 due to the increased efforts to promote its services which materialized to the increase in 2021 revenues and the loosening of the strict travel protocols in the year, respectively.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the period ended December 31, 2021, amounted to ₱0.32 million which is 96% lower than in 2020. The Group's associates, particularly Altitude and Microbenefits, recognized lower net losses in 2021.

Finance Costs

The Group posted finance costs of ₱9.98 million in 2020 and ₱9.15 million in 2021. The 8% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Income – net

As of December 31, 2021, the Group recorded other income of ₱28.37 million as compared to ₱55.23 million other charges posted in 2020. Higher other income was generated in 2020 due to penalties earned from late payments of customers and gain on sale of a subsidiary (CTX).

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2021, was ₱29.12 million, a 60% decrease from previous year's ₱73.54 million.

Benefit from Income Tax

In 2021, the Group reported benefit from income tax amounting to ₱2.96 million as compared to last year's ₱4.72 million. The benefit from income tax posted in 2020 mainly pertains to the tax effect of the amortization of intangible assets acquired through business combinations. These assets were written off in 2020 resulting in lower benefit from income tax in 2021.

Net Loss

The Group posted a consolidated net loss of ₱26.16 million in 2021, a 62% decrease from the previous year's net loss of ₱68.82 million.

Other Comprehensive Income

In 2021, the Group's other comprehensive income decreased to ₱13.60 million from the 2020 figure of ₱36.03 million. The decrease was rooted from the loss resulting from the cumulative translation adjustment and share in other comprehensive loss of an associate due to cumulative translation adjustment.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 62% in 2021 (from ₱32.79 million in 2020 to ₱12.56 million in 2021).

Financial Position

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

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱35.95 million as of December 31, 2021, a net decrease of 47% or ₱31.79 million from consolidated cash of ₱67.74 million as of December 31, 2020. The movements in the Group's cash will be explained further in the cash flow discussion.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱66.54 million and ₱70.29 million as of December 31, 2021, and 2020, respectively. The decrease was generally the result of lower trade receivables and higher allowance for impairment loss (from ₱22.34 million in 2020 to ₱23.21 million in 2021).

Contract Assets

As of December 31, 2021, contract assets amounted to ₱29.76 million or 496% higher than the 2020 figure of ₱5.00 million. The increment mainly pertains to services rendered under the staff augmentation business which are yet to be billed as of year-end. These are to be billed and collected in 2022.

Other Current Assets

The Group's consolidated other current assets in 2021 totaled ₱21.09 million, an 8% decrease from 2020 figure of ₱22.80 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Financial Assets at FVOCI

As of December 31, 2021, and 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.60 million and ₱0.50 million, respectively.

Investment in and advances to associates

In 2021, the Group's consolidated investment in associates amounted to ₱336.22 million, a decrease of ₱4.33 million compared to the 2020 figure of ₱340.55 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱273.69 million), Altitude Games Pte. Ltd. (₱21.22 million), and SDI (₱19.22 million).

Property and Equipment

The Group's consolidated property and equipment was ₱4.66 million as of December 31, 2021. It increased by ₱0.41 million or 10% as compared to 2020 which amounted to ₱4.25 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment. The Group made minimal additions during the year as part of its cost cutting measures.

Right-of-use Asset
The Group recognized a right-of-use asset for its new office space in Antel for a total amount of ₱1.17 million. Depreciation expense in relation to this asset amounted to ₱0.84 million.

Intangible Assets

As of December 31, 2021, intangible assets amounted to ₱88.51 million, a 1% increase from 2020 balance of ₱87.84 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2021, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2021, net book value of developed software was ₱7.14 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱0.39 million and (2) Amortization during the year amounting to ₱7.41 million
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2021, which amounted to ₱33.15 million. During the year, the Group sold half of each

cryptocurrency with a total cost of ₱2.04 million and accumulated revaluation gain of ₱11.58 million. The increase in market value of the remaining cryptocurrencies, on the other hand, resulted in ₱21.32 million revaluation gain.

Other Noncurrent Assets

In 2021, other noncurrent assets amounted to ₱21.43 million which increased by 18% from the previous year's figure of ₱18.10 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables were valued at ₱381.70 million as of December 31, 2021. It increased by ₱8.16 million or 2% from 2020 balance of ₱373.54 million mainly due to the increase in payable to third parties and non-trade payables of ODX.

Advances from stockholders

This account pertains to loan agreements entered into by Xurpas with its founders. Details are as follows:

- In 2017, the Parent Company entered into a loan agreement with its founders amounting to US$1,945,758 or 97.15 million subject to 5% interest rate per annum. The loan is due and demandable. As of December 31, 2021, outstanding loans payable amounted to ₱94.26 million.
- On April 29, 2019, the Parent Company entered into a loan agreement with its founders amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. As of December 31, 2021, outstanding loans payable amounted to ₱49.30 million. This particular loan was reclassified from non-current liability in 2020 to current liability in 2021 as this falls due in 2022. Both parties are working on a term extension of the loans.

Loan Payable

The Group recorded ₱29.73 million worth of current loans (short term and interest bearing) as of December 31, 2021. This was an ₱11.98 million decrease from 2020 loan payable of ₱41.71 million. The loans pertain to that of Storm Technologies and Seer Technologies.

Contract Liabilities

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

In 2021 and 2020, the Group's contract liabilities were ₱25.76 million and ₱32.26 million respectively.

Current portion of lease liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱1.02 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders. As of December 31, 2021, balance of this account is nil due to its reclassification to current liability.

Loan payable - net of current portion

This account pertains to the loan agreement entered by Storm with its lender. The former entered into a loan restructuring agreement with its lender to modify payment terms of its outstanding obligation with an aggregate amount of 17.32 million as of the date of modification. Revised payment terms include noninterest bearing monthly installments over one (l) to five (5) years. Remaining non-current portion of the loan as of December 31, 2021 is ₱9.07 million.

Lease liability

The Group recognized a lease liability for its new office space in Antel. Non-current portion of the lease liability as of December 31, 2021 amounted to ₱0.17 million.

Deferred tax liability

Deferred tax liability as of December 31, 2021 amounted to ₱4,266 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group was ₱22.83 million in 2021 compared to ₱26.82 million as of December 31, 2020, or a 15% decrease.

Equity

Total Equity

As of December 31, 2021, the Group's total equity was at a negative ₱7.91 million, a 270% decrease from 2020 equity of ₱4.65 million. Lower equity was mainly due to the increase in deficit brought about by the incurred total comprehensive loss of the Group.

Outlook for 2022

As the battle with COVID 19 enters its third year, challenges were encountered at the start of the year due to the high level of cases brought by the Omicron variant which resulted in stricter quarantine restrictions from the end of 2021. Taking into account, however, the high percentage of vaccinated in the country and considering the mild cases brought by the variant, cases eventually dropped by mid-February 2022. This paved the way for the country to reopen its borders, ease restrictions and slowly step into the new normal path to economic recovery.

Aligned with the country's steps to recover and grow economically in 2022, Xurpas continues to expand and build its enterprise business segment which will primarily contribute to its growth. This is to address the multiple opportunities created by 1) global technology trends and 2) the acceleration of the digital transformation plans of large and small and medium scale enterprises during the pandemic. A lot of businesses are going digital or online to improve business continuity amidst restricted mobility, due to the pandemic. Even as quarantine measures have eased, Xurpas is still convinced that enterprises will go digital or online because this has now become ingrained in consumer behavior.

With this, Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

1. **IT Staff Augmentation:** Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue for 2021, the Company will build and augment its current business by vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. The staff augmentation business of Xurpas increased by 194%, from ₱7.93 million in 1Q2021 to ₱23.30 million in 1Q2022.

2. **Digital Business Solutions**: Xurpas also plans to expand its digital business solutions service and product offering, catering to the large untapped SME market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SME's. These SME's comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners.

3. **Web 3.0:** This the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

As for the general and administrative expenses, Xurpas will continuously implement and monitor its cost reduction and containment program that would minimize or ensure efficient use of expenses such as rent, utilities, marketing and promotions, advertising, transportation and travel, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs relating to rent, utilities, and the like. These actions are expected to contribute to the Group's financial improvement in 2022.

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2021	**2020**
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(39.21)	(74.42)
Net cash provided by (used in) Investing Activities	10.71	(2.42)
Net cash used in Financing Activities	(3.79)	(12.53)
Effect of foreign currency exchange changes in cash	0.49	3.19
Net increase (decrease) in cash	(31.79)	(86.19)
Cash at beginning of period	67.74	153.93
Cash at end of period	**35.95**	**67.74**

Cash Flows from Operating Activities

For the year ended December 31, 2021, operating income before changes in working capital of ₱11.65 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted in ₱34.38 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱39.21 million.

Cash Flows from Investing Activities

Net cash provided by investing activities in 2021 was ₱10.71 million while cash used in investing activities in 2020 amounted to ₱2.42 million. The net cash provided for this year is mainly attributed to the proceeds from sale of cryptocurrencies amounting to ₱13.62 million.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2021 was ₱3.79 million while net cash used in financing activities for the year 2020 was ₱12.53 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱5.20 million and ₱1.33 million in 2021 and 2020, respectively.

Key Financial Data In PhP Millions	**December 31, 2021 Additions**	**December 31, 2020 Additions**
Right-of-use Assets	2.01	-
Developed software	0.39	0.10
IT Equipment	2.44	1.17
Leasehold Improvements	0.32	-
Office Equipment	0.03	0.07
	5.20	**1.33**

Key Performance Indicators

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

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

In Percentage	**For the years ended December 31**		
	2021	2020	2019
Liquidity Ratios			
Current Ratio	**26%**	31%	41%
Quick Ratio	**23%**	27%	33%
Asset-to-Equity Ratio	**575%**	613%	575%
Profitability Ratios			
Net Loss Margin	**-4%**	-34%	-271%
Gross Margin	**18%**	5%	15%
Operating Margin	**-4%**	-19%	-256%
Return on Total Assets	**-1%**	-9%	-93%
Return on Equity	**-8%**	-53%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.82x**	6.09x	5.55x
Interest Coverage Ratio	**-2.18x**	-5.92x	-64.75x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 26% and 23% in 2021 and 31% and 27% in 2020, respectively. The decrease in both ratios was mainly due to the decline in current assets and increase in current liabilities.

Asset-to-Equity Ratio

In 2021, the Asset-to-Equity ratio of the Group decreased to 575% from 613% of 2020. The decrease was mostly because of the increase in deficit, reducing total equity and concurrent decrease in assets in 2021.

Profitability Ratios

The lower net loss incurred significantly improved the Group's profitable ratios in 2021. Net loss margin, operating margin, return on total assets and return on equity went down to -4%, -4%, -1% and -8%, in 2021 respectively. Alongside with this, Gross margin also improved substantially by 260% from 2020 ratio of 5% to 18% in 2021.

Debt Ratios

For 2021, the Debt-to-Equity ratio decreased from 6.09x in 2020 to 5.82x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2021 to -2.18x from -5.92x in 2020.

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

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

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material 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.

i. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and capitalizing on the ongoing expansion in the IT staff augmentation segment.

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

iii. Seasonality. The Group is not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

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Full year 2020 compared with 2019

Summary

	Years ended December 31							Percentage Change					
Php Millions	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2020vs2019**	**2019vs2018**	**2018vs2017**	**2017vs2016**	**2016vs2015**	**2015vs2014**
Revenues	174.01	971.96	1,242.20	2,103.57	1,947.14	898.37	378.32	-82%	-22%	-41%	8%	117%	137%
Gross Profit	8.81	146.49	109.59	649.15	803.43	513.87	264.45	-94%	34%	-83%	-19%	56%	94%
Income (Loss) before Income Tax	(73.54)	(2,609.21)	(667.13)	122.04	379.10	331.10	239.14	-97%	291%	-647%	-68%	14%	38%
Net Income (Loss)	(68.82)	(2,635.36)	(811.64)	102.57	264.84	229.62	190.72	-97%	225%	-891%	-61%	15%	20%
Revenues													
Mobile Consumer Services	22.00	19.92	270.86	1,336.54	1,239.92	576.06	309.37	10%	-93%	-80%	8%	115%	86%
Enterprise Services	88.24	854.73	875.61	667.60	653.14	243.45	68.95	-90%	-2%	31%	2%	168%	253%
Other Services	63.77	97.31	95.72	99.44	54.07	78.87	-	-34%	2%	-4%	84%	-31%	n.a.

From a consistent growth of revenues from 2014 to 2017, the Group's revenues started its drop in 2018, as it faced 2 major business challenges in its mobile consumer segment. The industry reshaping event of widespread ad fraud that adversely affected the whole digital advertising industry, including the legitimate players, persisted until that year. In addition, domestically, the technical and business policy changes implemented by Globe Telecom affected the Group's Value Added Services (VAS) business.

In 2019, the mobile consumer segment continued to drop which primarily caused the decrease in total revenues. Enterprise revenues minimally decreased versus previous year. For 2019, for its subsidiary, Yondu; only revenues until September 11, 2019, were recorded as Yondu was sold back to Globe on that date. 2019 was considered a transition and clean up year, as the following steps were undertaken to improve its financial position: 1) sell Yondu back to Globe which provided the funds to pay off its creditors and working capital to step up its enterprise business and 2) shut down/cease operations of some subsidiary companies and absorbing the operations of some others. As a result however, this led to the loss on sale of a subsidiary and the provisions for impairment was in relation to the goodwill of subsidiaries, investments in associates, receivables and other current assets; which resulted in tremendous net loss for that year.

In 2020, without Yondu; Xurpas revenues totaled ₱174.01 million which was 82% lower than 2019 revenue, which had 9 months of revenues of this particular subsidiary. Not including revenues of Yondu in 2019, revenues only decreased by 5% from 2019 to 2020. This, notwithstanding the effects of the COVID 19 pandemic. Noteworthy were the growth in the staff augmentation and AllCare (subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers) businesses. With the absence of one-off expenses for 2020, the net loss for the year was ₱68.82 million which was 97% improvement versus 2019.

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

Financial Summary

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

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

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

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

The Group's general and administrative expenses (GAEX) significantly went down from ₱2,204.42 million in 2019 to ₱119.85 million in 2020 or 95% decrease. GAEX in 2019 was high due to the provision for impairment loss and provision for liquidation costs totaling to ₱1,923.42 million. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company.

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

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

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

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

Revenues and net income contributed by foreign operations for the year ended December 31, 2020 amounted to ₱0.44 million and ₱18.78 million, respectively, which corresponds to 0.25% and -27% of the consolidated revenues and net loss, respectively, for the said period. The negative percentage resulted from dividing the net income contributed by foreign operations over the consolidated net loss for 2020.

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

Segment Financial Performance

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

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

Profitability

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

Revenues

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

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies • AllCare

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

Expenses

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

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

Cost of Services

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

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

Cost of Goods Sold (COGS)

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

General and Administrative Expenses (GAEX)

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

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

Other expenses such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measures implemented by the Company.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2020, amounted to ₱7.75 million.

Finance Costs

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

Other Charges (Income) – net

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

Loss before Income Tax

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

Provision for (Benefit from) Income Tax

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

Net Loss

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

Other Comprehensive Income (Loss)

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

Total Comprehensive Loss

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

Financial Position

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

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱67.74 million for the twelve-month period ended December 31, 2020, a net decrease of 56% or ₱86.19 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱70.29 million and ₱37.18 million as of December 31, 2020, and December 31, 2019, respectively. The increase was generally the result of lower allowance for impairment loss (from ₱263.09 million in 2019 to ₱22.34 million in 2020).

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2020, contract assets amounted to ₱5.00 million or 40% lower than the 2019 figure of ₱8.29 million.

Other Current Assets

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

Financial Assets at FVOCI

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

Investment in and advances to associates

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

Property and Equipment

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

Intangible Assets

As of December 31, 2020, intangible assets amounted to ₱87.84 million, a 13% decrease from 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2020, goodwill was at ₱48.22 million.
- Developed software 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, 2020, net book value of developed software was ₱14.16 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱96,332, (2) Amortization during the year amounting to ₱21.89 million and (3) Impairment amounting to ₱9.23 million. The impairment incurred resulted from the suspension of operations of AoC.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2020, net book value of leasehold rights was nil.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2020, which amounted to ₱25.46 million.

Other Noncurrent Assets

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

Liabilities

Accounts and Other Payables

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

Loan Payable

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

Contract Liabilities

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

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

Income Tax Payable

For 2020, the Group's consolidated income tax payable was nil vis-à-vis 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

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

Pension Liability

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

Equity

Total Equity

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

Outlook for 2021

With COVID 19 as a backdrop, Xurpas is building up and strengthening its enterprise business to organically grow. This will be done through the following: custom software development, IT staff augmentation, Xurpas business solutions, and digital marketing. Because of the growth seen in the IT staff augmentation business in 2020, there will be more focus on this business sub-segment. The Company expects to earn revenues and return to profitability from the following measures:

1. Continuously venture into new projects with good revenue potential by its in-house team or the partnerships/alliances that it has recently finalized. The Company believes that the increased drive of both private companies and public entities towards digital transformation, especially in a during and post COVID environment, create multiple opportunities for its enterprise business.
2. Xurpas will help these companies enable their digital transformations by creating and providing custom tools and solutions to address their needs. For this purpose, the Company aims to work with other local or international technology companies with business solutions, content, capabilities, and technologies consistent with the Company's over-all market strategy. It will expand their ability to both provide and distribute their products and services globally to reach new corporate customers The systems Xurpas intends to assist their clients undergoing digitalization are the following: financial, production, people, marketing, sales, and customer management.
3. Reach out to the brick and mortar businesses that have to launch or accelerate their digital transformation (e.g. e-commerce platforms) and/or embark on a digital marketing program to promote their services.
4. Support the government's (through the Department of Information and Communication Technology (DICT)) vision of having the following undergo digital transformation: government, workforce, workplace, classrooms, and communities/LGUs. In this regard, the Company will pursue its leads with various local government units (LGUs) that are working on their digital communities. Xurpas also intends to start selling digital classroom solutions; and further evaluate how it will be able to take advantage of the opportunities brought about by the digital transformation initiatives of the government.
5. Rely more on digital marketing to promote our services

Even prior to the pandemic, the Company already embarked on a continuous cost reduction program that would minimize its expenses. This included reduction in salaries and wages (workforce rightsizing), rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs, such as rent, utilities, and the like. There will be changes, as well, the delivery of services from physical to digital, wherever it's possible. There will enforcement of even stricter cost controls

Once transaction with Wavemaker is completed, the Company will benefit from the many synergies created by the access to the Wavemaker network, as well as both Wavemaker's financial stability and the significant proceeds expected to be generated as its funds are harvested in the medium to long term. Additional revenue from the projects that Wavemaker will bring to Xurpas, specifically from the software development requirements of its investee companies.

Xurpas is also planning to to undergo equity restructuring: by applying with SEC, using its Additional Paid-In Capital to reduce the retained earnings deficit of the Xurpas parent company. This will improve the company's financial profile and optimize its performance moving forward.

Liquidity and Capital Resources

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

Cash Flows

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

Cash Flows from Operating Activities

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

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

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

Capital Expenditure

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

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

Key Performance Indicators

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

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

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

Liquidity Ratios

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

Asset-to-Equity Ratio

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

Profitability Ratios

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

Debt Ratios

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

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

Current Ratios

1. Current ratio $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

2. Quick ratio $\dfrac{\text{Current assets – Other current assets}}{}$

	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. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and building competency in talent solution business.

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

vii. Seasonality. The Group is subject to the seasonality of revenue realization due to Storm's Flexible Benefits Program. Historically, Storm's sales tend to increase in the second half of the year as observed from its customer behavior to likely avail their converted benefits towards the end of the year.

Description of the Nature and Scope of Business

The Corporation was duly incorporated under Philippine laws on November 26, 2001, as a technology company which creates and develops digital products and services for mobile end-users, as well as proprietary platforms for mobile operators. The Corporation provides mobile marketing and advertising solutions integrated in consumer digital products and platforms for the consumption of mobile users. The Corporation is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

As of date, the Corporation has equity interests in the following entities:

	Percentage of Ownership
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%
Pt. Storm Benefits Indonesia	51.31%
Allcare Technologies Inc.	35.35%
Seer Technologies Inc.	70.00%
Codesignate Inc.	52.50%
Xurpas Enterprise Inc.	100.00%
Art of Click Pte. Ltd.	100.00%[1]
PT Sembilan Digital Investama	49.00%
MatchMe Pte. Ltd.	29.10%
Micro Benefits limited	23.53%
Altitude Games Pte. Ltd	21.17%
Altitude Games Inc.	21.17%
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	100.00%
Xeleb Inc.	100.00%

Products and Services

The Corporation categorizes its product offerings in accordance with the following segments:

<u>Enterprise Services</u>

The Company, together with its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy and applications development, off-the-shelf applications and social media-related services. In addition, the Company also provides information technology staff augmentation to its customers, which includes both SMEs, as well as Telcos and other large enterprise clients.

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

In 2022, with the rise of blockchain technology and its potential to revolutionize various industries, the Company took a significant step towards expanding its services by dedicating a business unit within Xurpas Enterprise to provide information technology staff augmentation, managed services, outsourced project development and custom solutions for blockchain-based applications. The Company assembled a team trained in blockchain programming languages and tech stacks.

[1] On March 30, 2020, Xurpas suspended the business operations of Art of Click.

Mobile Consumer Services

The Company creates and develops mobile consumer content and other value-added services ("VAS") for mobile phone subscribers such as online casual games as well as mobile marketing and advertising solutions. As of December 31, 2022, the Company continues to be a party to content provider agreements with two (2) of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc. The Company continues to offer previously launched mobile games in partnership with a major media company. 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 games, which revenues are shared with the media company. The Company also continues to offer mobile marketing and advertising solutions either directly or through third party suppliers.

Other Services

Storm, through its subsidiary AllCare, offers various HMO plans with different coverage and benefits that cater to the needs and budget of its members. Its HMO plans include access to consultations with primary care physicians, specialist doctors, laboratory tests, and hospitalization coverage, among others. AllCare's subscription plans are designed to be affordable for small teams and freelancers who may not have access to group health insurance plans offered by larger companies.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to US$4,999,960 will be used to start building the ODX infrastructure and for business development. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders"). In 2022, there was maintenance work done on the platform.

In 2022, with the rise of blockchain technology and its potential to revolutionize various industries, the Company took a significant step towards expanding its services by dedicating a business unit within its subsidiary Xurpas Enterprise to provide information technology staff augmentation, managed services, outsourced project development and custom solutions for blockchain-based applications. The Company, through its subsidiary, assembled a team trained in blockchain programming languages and tech stacks.

Competition

For its enterprise development business, the Company considers Stratpoint, Pointwest, Yondu, Asticom and Novare as its main competitors, providing outsourced web and mobile applications development services, cloud services for their clients, and staff augmentation. For business solutions, the Company competes with Oracle Netsuite, Odoo and Acumatica for Enterprise Resource Planning, and Sprout Solutions and Salarium for Payroll Systems. For the Company's other services, the main competitors are HMOs like Maxicare, Medicard, Intellicare, AsianLife, PhilCare, Fortune Medicare, CareHealth Plus, ValuCare, and Insular Health Care. For its mobile consumer content development business, the Company competes with Yondu.

Reliance on Third Parties

As a mobile telecommunications value-added services provider, the Corporation relies on the transmission, switching and local distribution facilities of Telcos to which it provides mobile digital content and services. The Telcos own, operate and maintain these transmissions, switching and local distribution facilities and the Corporation itself does not have any right to participate or intervene in the operation or maintenance thereof. In 2018, the Corporation's business was severely affected when one the Telcos implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation's revenue from its mobile consumer services significantly declined as a result of this. The Corporation has disclosed that it is strengthening and enhancing its enterprise services in light of the ongoing challenges in its mobile consumer segment.

Intellectual Property

Since the Company's pivot as an information technology company specializing in enterprise solutions, the Company's intellectual property portfolio has evolved to reflect its new focus. The Company owns and holds exclusive rights to the proprietary software, applications, and other technology assets that it has created or acquired, with the exception of those assets it creates on a work-for-hire basis for its clients. The Company also incorporates third-party software and open source software into some of its products under the terms of various licenses, carefully managing its use to ensure compliance with licensing terms and conditions. With respect to its mobile consumer content business, the Company maintains its rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

<u>Platforms</u>

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

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

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

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

The Company, through Storm, owns a patented proprietary platform that includes a system, method, and data processing apparatus working together to provide a secure and efficient payment processing solution for electronic transactions. The Company maintains the platform's patent with the Intellectual Property Office of the Philippines ("IPOPHIL").

<u>Trademarks</u>

The Company has exclusive rights to its corporate name, which may be deemed as a protected established mark in relation to the same or similar services without need for prior registration. Nevertheless, the Company is in the process of renewing the registration over this trademark with IPOPHIL.

Despite the Company's shift towards information technology enterprise solutions, it still holds several registered trademarks that were registered under its subsidiary, Xeleb Technologies Inc., which is in the process of dissolution.

Key Licenses

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

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

- Content and Program Service
- Messaging services
- Electronic Gaming, except gambling

The Company holds a VAS License issued by the NTC valid until January 3, 2026, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

Xurpas is not offering any product or service that will require other governmental approval.

Governmental Regulations

Xurpas is not aware of any existing or probable governmental regulation which may materially affect the Company’s business.

Research and Development

The Corporation owns internally developed softwares which include telecommunications equipment software licenses, corporate application software and licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. For the years ended December 31, 2022, 2021 and 2020, the Corporation recorded additions on developed softwares with costs amounting to ₱1.10 million, ₱0.39 million and ₱0.01 million, respectively, which corresponds to 0% to 1% of consolidated revenues. See Note 11 of the Corporation’s Consolidated Financial Statements as of December 31, 2021 for a the rollforward of developed softwares owned by the Corporation.

Costs and Effects of Compliance with Environmental Laws

The Corporation is compliant with environmental laws. The costs and effects of compliance with these laws are not material to the Corporation’s operations.

Employees

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

The Corporation has implemented cost-cutting measures to manage its day-to-day operations considering the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2022:

Executives	5
Accounting, Finance, Human Resources, Legal and Administration	17
Sales	8
Recruitment	5
Talent Management	8
Marketing	5
Technical Staff	29
Total	77

As of date, the Corporation does not see any material change from the above-identified labor complement for the next twelve (12) months.

Key Risks

The Corporation considers the following risks material to its operations:

Liquidity

The Company has to maintain cash balances and monitor cash inflows and outflows to ensure the availability of sufficient funds. The Company has also been implementing cost cutting measures which may include reduction of workforce and postponement of non-essential investments to help strengthen its cash position. It also continually evaluates assets or investments which can be sold.

High Customer Concentration

The Company has been working towards improving its business and financial growth for the past years. Sixty-nine percent (69%) of the Company's revenues from enterprise services can be attributed to 2 of its major clients in 2022. As part of its growth strategy, the Company has been looking for new opportunities that would allow it to further diversify its business. In fact, for 2022, there is a 100% increase in the number of clients compared in 2021. At the same time, the Company still intends to continue to develop its current relationships with its long-term customers.

Stiff Competition and fast-paced evolution of the IT industry

The Company operates in a highly competitive environment given the numerous existing and new technology companies that have the capacity to provide the same services with competitive pricing. Likewise, the speed at which technology evolves to cater the demand of individuals and businesses for technological advancements poses risks such as costly upgrades of systems and obsolescence of some services. Nevertheless, the Company mitigates these through establishing good relationships with its customers by providing quality services. The Company is continually identifying new, upgradable, and cost-effective solutions for its offered services. Accordingly, the Company invests in its employees' training to ensure that the Company is able to adapt with new technology.

Market Saturation

The Company considers market saturation as one of the key risks in its business. The Company addresses this by developing new product and service offerings, and by focusing on innovation and product development. Xurpas management also continuously tries to find new markets that it can enter to offer its products and services.

On February 10, 2023, the Company announced that it will be expanding its business to Australia, a new market which is ten times larger than the Philippine market. Xurpas disclosed that it will offer a range of IT services in Australia ranging from staff augmentation and managed services, to bespoke software development among others.

Talent Acquisition and Retention

Managing and retaining the right people is one of the key risks that the Company has identified. The Company has provided solutions to manage this risk by offering attractive compensation benefits and packages, implementing employee development and training programs, and providing employee recognition and rewards. Moreover, the Company adopts a flexible work arrangement which likewise attracts employees, and provides for a clear career progression and growth opportunities.

The Company has also been diversifying its talent pool, implementing a robust onboarding process and continuously try to build a strong company culture. The Company believes that the measures that it implements will mitigate the risk relating to talent retention.

Ability to maximize and adapt to new technologies

The Company has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offer a marketplace of technology products that consumers can choose from. The Company has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Company's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Company will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.

Concentrated ownership offers a potential risk for conflict of interest

The Company is substantially owned and/or controlled by the three (3) founders, Messrs. Nico Jose S. Nolledo, Fernando Jude F. Garcia and Raymond Gerard S. Racaza, wherein they own approximately 61.08% of the issued and outstanding shares of the Company. The Company has been working towards diversification. In fact, the Company has implemented the following to ensure that related party transactions, if any, are made at arm's length:

- Out of the eight (8) board seats, only three (3) board seats are occupied by the controlling shareholders (or their affiliates). Moreover, most of these directors are appointed as non-executive directors, which accordingly lessens the risk for conflict of interest.
- The Company's Chief Executive Officer (CEO) is also an independent party, not affiliated with the said principal shareholders.
- The Company has also appointed three (3) independent directors.
- The Company has strengthened its Related Party Transactions Policy.

The Company also has an Audit and Related Party Transactions Committee that evaluates related party transactions, as may be applicable.

Properties

The Corporation does not hold any real property of material value. The Group has entered into various lease agreements with third parties for the office space it occupies.

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

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

Operating Lease Commitments

Xurpas and its subsidiaries do not hold any real property of material value. Xurpas is leasing its office space at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Barangay Bel-Air, Makati City with an area of 127.67 square meters. The lease contract has a term of two (2) years which commenced on March 1, 2021 and expired on February 28, 2023 and may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year. The applicable rate per month is ₱86,816. Subsequent to the execution of the Lease Contract, Milestone Petroleum Marketing Corporation, Inc. sold the Office Space to Red Round Abacus Inc. and executed a Deed of Assignment of Lease constituting Red Round Abacus Inc. as the Company's current Lessor.

On January 31, 2023, the parties renewed the lease contract for another 2 years commencing from March 1, 2023 and ending on February 28, 2025. The applicable rate per month for the first year is ₱90,288.22 and ₱93,899.75 for the second year.

The Company also previously held an office at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines with an area of 507 square meters. On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

Xurpas' subsidiaries have their respective operating lease agreements for their office spaces (please refer to Note 18 of the accompanying Notes to consolidated financial statements for details). The lease contracts are for periods ranging from 1 to 2 years and may be renewed under the terms and conditions mutually agreed upon by the subsidiaries and the lessors.

Xurpas will acquire and/or lease additional property and equipment for its operations when deemed necessary. The cost of such acquisitions will depend on negotiations with vendors and lessors. Xurpas plans to finance such acquisitions from internally generated funds.

There were no property and equipment pledged as collateral as at date.

Legal Proceedings

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

In 2017, Art of Click ("AoC") and Pocketmath entered into an agreement ("the IO Agreement") for the performance of advertising campaigns amounting to USD4.77 million. Pocketmath failed to pay the invoices as they fell due. Thus, on 18 February 2020, AoC was compelled to issue and serve Statutory Demand to Pocketmath for the outstanding invoices as well as accrued late payment interest, amounting to USD7,873,834.99. Pocketmath likewise failed to pay its liability as reflected in the Statutory Demand. Thereafter, AoC initiated a winding-up proceeding against Pocketmath in the Singapore High Court. After several proceedings, the parties entered into a Settlement Agreement dated 1 July 2020. Pursuant to the Settlement Agreement, Pocketmath paid AoC through Xurpas Inc. USD400,000.00 divided into four equal installments, with the final amount received in September 2020.

On February 8, 2020, AMA Computer University Inc. filed a case at the Quezon City RTC Branch 84 against Seer Technologies Inc for breach of contract and damages. The plaintiff argued that Seer did not perform the services according to the agreement entered by the 2 parties. On March 6, 2020, the case was settled. At the same time, the court ordered the release of hold on the bond amounting to ₱5.04 million.

4. Directors' and Officers' Background

Board of Directors, Independent Directors and Executive Officers

The following are the current directors and officers of the Corporation:

Directors / Officers	Nationality	Position	Year Position was Assumed
Jonathan Gerard A. Gurango	Filipino	Chairman and Chief Executive Officer	2022
Alexander D. Corpuz	Filipino	Executive Director, President, Chief Information Officer and Chief Finance Officer	2019
Fernando Jude F. Garcia	Filipino	Executive Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nolledo	Filipino	Non-Executive Director	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	2001
Imelda C. Tiongson	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	Filipino	Independent Director	2020
Christopher P. Monterola	Filipino	Independent Director	2022
Mark S. Gorriceta	Filipino	Corporate Secretary and Chief Legal Officer	2014
Jose Vicente T. Colayco	Filipino	Chief Business Development Officer	2022
Angela Sigrid J. Along	Filipino	Chief Compliance Officer and Chief Risk Officer	2022

Background Information

Jonathan Gerard A. Gurango, 64, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango was appointed as the Chairman of the Board and the Chief Executive Officer of the Corporation effective June 6, 2022. 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. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, The Digital Business Training Center Inc., TendoPay, The Parent Inc. and Mijares-Gurango Craniofacial Foundation. 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.

Alexander D. Corpuz, Filipino, 56, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 49, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 74, has been a Director of the Corporation since November 2001. Mr. Racaza has 49 years of marketing and finance experience under his belt. He worked with Mobil Oil Philippines for 15 years developing New Business through Resale Outlets and servicing Direct Commercial Consumers Accounts. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent top agency sales awards. He has been a consistent awardee at GAMA Philippines (General Agents and Managers Association) 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. He is a CPA (Certified Public Accountant).

Mercedita S. Nolledo, 82, Filipino, has been a Director of the Corporation since November 2001. Atty. Nolledo is currently a director of the Ayala Corporation, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc., and a member of the Advisory Board of Ayala Land, Inc. and Bank of the Philippine Islands. 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.

Imelda C. Tiongson, 57, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and she also sits in several Boards as Independent Director namely Chairperson of Prulife UK Ph, Seedin Technologies Inc., Alipay Philippines. She is also part of the Bangko Sentral ng Pilipinas Open Finance Oversight Committee Transition Group representing the Fintech Industry. In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD), Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Womenbiz Ph. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education. She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. Ms. Tiongson also participated in the Technical working groups which drafted several digital/fintech related laws, the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010. Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 56, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Christopher P. Monterola, 46, Filipino, has been an independent director of the Corporation since November 2022. He is currently the Head, Professor, and Aboitiz Chair in Data Science of the Aboitiz School of Innovation, Technology, and Entrepreneurship. He is also the Executive Managing Director and Principal Scientist of the Analytics, Computing, and Complex Systems Laboratory at the Asian Institute of Management and an Academician at the National Academy of Science and Technology.

Mark S. Gorriceta, 45, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was the Chief Compliance Officer of the Corporation from 2018 to October 12, 2022. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Jose Vicente T. Colayco, 53, Filipino, joined Xurpas in 2011 and is currently the Chief Operating Officer of the Company. Prior to this, he also served as the Chief Business Development Officer and Treasurer of the Company. Before joining Xurpas, Mr. Colayco was the co-founder and co-managing director of Digital Storm, Inc., a developer of online casual game platforms. He was a Managing Director 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. Before that, he was 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.

Angela Sigrid J. Along, 45, Filipino, is currently the Chief Compliance Officer and Chief Risk Officer of the Company. She joined the Company in December 2020 as Xurpas Group's general legal counsel. She was previously the Chief Corporate Attorney of the Metropolitan Waterworks and Sewerage System, a lawyer at the Department of Environment and Natural Resources, and has held various legal positions in Singapore and Myanmar. She graduated from the University of the Philippines Diliman with a Bachelor of Arts Degree in Communication Research in 1999 and Bachelor of Laws in 2005. She also holds a Masters in Law from the Singapore Management University.

Significant Employees

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

Family Relationships

Mr. Nico Jose S. Nolledo, is the son of Atty. Mercedita S. Nolledo, a director. Mr. Nolledo resigned as Chairman effective June 6, 2022.

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

Involvement in Certain Legal Proceedings

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

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

Certain Relationships and Related Transactions

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

The Corporation has secured loans from its key shareholders. On February 20, 2019, the Board of Directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of ₱150.00 million loan to be used to fund enterprise projects and for general corporate purposes.

On March 30, 2020, the Corporation also disclosed that it will sell 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia, one of Xurpas' Founders, at ₱4.00 million. The sale price was mutually agreed upon by the parties, taking into account CTX's 2019 book value which is only at ₱1.01 million. On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia.

See Note 19 of the Corporation's Consolidated Financial Statements as of December 31, 2022 for a detailed discussion of the related party transactions entered into by the Corporation.

On January 20, 2022, the Corporation entered into a Subscription Agreement with Mr. Nico Jose S. Nolledo wherein the Corporation will issue new Xurpas Shares at a purchase price of ₱100.00 million.

Ownership Structure and Parent Corporation

The Corporation has three (3) Principal Shareholders.

Mr. Nico Jose S. Nolledo collectively owns 24.53% of the Corporation's issued and outstanding shares as of date. He recently resigned as Chairman and Non-Executive Director but will remain as adviser to the Board of Directors.

Mr. Fernando Jude F. Garcia owns 18.26% of the Corporation's issued and outstanding shares. He is the Corporation's Treasurer and Chief Technology Officer.

Mr. Raymond Gerard S. Racaza owns 18.29% of the Corporation's issued and outstanding shares. He does not hold any management role in the Corporation since 2019.

Xurpas Inc. has no parent company.

*Resignation of director*s

Mr. Raymond Gerard S. Racaza resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019.

Recently, Mr. Nico Jose S. Nolledo resigned as Chairman of the Board and Non-Executive Director which was made effective on June 6, 2022.

The above-mentioned officers do not have any known disagreement with the Corporation's affairs, and they resigned for personal reasons.

5. **Market Price and Dividends on the Corporation's common shares**

   A. Market Information

On December 2, 2014, Xurpas had its initial public offering of 344.00 million common shares at the Philippine Stock Exchange ("PSE") at an offer price of ₱3.97 per share or ₱1.36 billion total proceeds. Net of costs, expenses, and taxes, the estimated net proceeds amount to ₱1.24 billion.

The following table shows the high and low prices (in PHP) of Xurpas shares in the PSE for the year 2018, 2019, first three quarters of 2020, 2022 and 1st quarter of 2023.

	High	**Low**
2023		
1st Quarter	0.36	0.25
2022		
4th Quarter	0.28	0.246
3rd Quarter	0.35	0.25
2nd Quarter	0.37	0.27
1st Quarter	0.57	0.30
2020		
3rd Quarter	0.55	0.50

2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

On September 21, 2020, the Exchange implemented a suspension on the trading of Xurpas shares and required the Company to submit a full and comprehensive disclosure in relation to its transaction with Wavemaker. In light of the termination of agreements as disclosed on December 22, 2021, the suspension on the trading of Xurpas shares was lifted on January 17, 2022.

The price information of Xurpas' common shares as of the close of the latest practicable trading date, June 7, 2023, is at ₱0.245/share.

B. Holders

There are 33 registered holders of common shares, as of May 31, 2023 (based on number of accounts registered with the Stock Transfer Agent).[2]

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)	540,140,330	26.29%	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	207,444,345	10.10%	Others
3.	Nico Jose S. Nolledo	464,875,041	22.63%	Filipino
4.	Raymond Gerard S. Racaza	375,765,960	18.29%	Filipino
5.	Fernando Jude F. Garcia	375,073,960	18.26%	
6.	Jonathan Gerard A. Gurango	10	0	Filipino
7.	Mercedita S. Nolledo	1,060	0	Filipino
8.	Wilfredo O. Racaza	1,060	0	Filipino
9.	Alexander D. Corpuz	1,000	0	Filipino
10.	Bartolome S. Silayan, Jr.	2,000	0	Filipino
11.	Imelda C. Tiongson	1,000	0	Filipino
12.	Eden International Holdings Inc.	39,169,763	1.91%	Non-Filipino
13.	Christopher P. Monterola	1,000,000	0.05%	Filipino
14.	Wavemaker Labs Pte. Ltd.	47,099,950	2.29%	Non-Filipino
15.	Rafael Jay P. Ramores	423,000	0.02%	Filipino
16.	Nelson Gatmaitan	400,000	0.02%	Filipino
17.	Roseller Artacho Mendoza	300,000	0.01%	Filipino

[2] Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group, list includes PCD Nominees.

18.	Emilie Grace S. Nolledo	251,889	0.01%	Filipino
19.	Philina Roselle G. Mendoza	100,000	0	Filipino
20.	Aquilina V. Redo	6,500	0	Filipino
21.	Rogina C. Guda	6,000	0	Filipino
22.	Dahlia C. Aspillera	2,900	0	Filipino
23.	Roberto B. Redo	1,000	0	Filipino
24.	Shareholders' Association of the Philippines	1,000	0	Filipino
25.	Dondi Ron R. Limgenco	111	0	Filipino
26.	Marietta V. Cabreza	100	0	Filipino
27.	Milagros P. Villanueva	100	0	Filipino
28.	Myra P. Villanueva	100	0	Filipino
29.	Myrna P. Villanueva	100	0	Filipino
30.	Philip &/or Elnora Turner	99	0	British-Indian
31.	Alvin D. Lao	10	0	Filipino
32.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
33.	Joselito T. Bautista	1	0	Filipino
	Total	**2,054,615,059**	**100%**	**Filipino**

C. Dividends and Dividend Policy

Dividend History

Information on the Corporation's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

Dividend Policy

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

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

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

a) Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nolledo, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") at a price of ₱16.00 per share and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Corporation ("Subscription tranche") also at ₱16.00 per share. The Corporation raised approximately ₱1.20 billion from the said issuance of shares.

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

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

The Placement Agents received an aggregate selling fee equal to 1.5% of the gross proceeds of the Offer.

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

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

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

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

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

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

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

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

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

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

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

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd

c) Issuance of New Shares

On January 20, 2022, the Corporation and Nico Jose S. Nolledo ("Mr. Nolledo") executed a Subscription Agreement wherein Mr. Nolledo will receive new Xurpas Common Shares in exchange of One Hundred Million Pesos (₱100,000,000.00). The Subscription Price per Share was calculated based on a 30 Day Weighted Average Price – wherein the twenty-five (25) days shall be prior to Effective Date and the remaining five (5) days shall be after Effective Date, with a five percent (5%) Premium. The Subscription Price per share was subject to a floor price of Fifty-Five Centavos (₱0.55) per share. Accordingly, Subscription Price was set at ₱0.55; the floor price provided in the Subscription Agreement.

Mr. Nolledo received a total of 181,818,182 common shares (the "Subscription Shares"). The total subscription price is at ₱100,000,000.10. Mr. Nolledo paid the Subscription Price in full on February 15, 2022. Accordingly, the Subscription Shares were issued to Mr. Nolledo on March 21, 2022. The shares have not been listed with the Philippine Stock Exchange as of date.

The Subscription Shares are being offered and sold within the Philippines as an exempt transaction in reliance on Section 10.1(c) and 10.1(e) of the Philippine Securities Regulation Code (the "SRC").

d) Cancelled Transaction with Wavemaker

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

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

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement for the issuance of the Subscription Shares.

On December 20, 2021, the Corporation received a written notification from Frederick Manlunas of the Wavemaker Group terminating the Subscription Agreement, Stock Purchase Agreement, and such other agreements executed with the Company on September 20, 2020 due to failure to Close the transaction by December 31, 2020. Accordingly, no Xurpas shares were issued (or will be issued) in favor of the subscribers. Moreover, Xurpas did not receive any Wavemaker Shares in Wavemaker Group Inc. pursuant to the Stock Purchase Agreement.

The foregoing transaction has already been cancelled and will not take effect. The Company does not foresee any financial effect on the Company taking into account that the foregoing transaction has not been recorded in its books since the closing of the said transaction were conditioned on certain matters that were not met.

6. External Auditor Fees

The Company's external auditor is Sycip Gorres Velayo & Co. ("SGV & Co."). The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.94 million and ₱ 2.93 million for 2022 and 2021, respectively. The audit fees for 2023 are estimated to be at ₱3.23 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns. Non-audit fees for Xurpas, which is already included in the aggregate amount above, totaled to ₱0.16 million in 2022.

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

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

The representatives of SGV are expected to be present at the Annual Stockholders' Meeting and may also respond to appropriate questions with respect to matters involving its services.

7. Compliance with leading practices on Corporate Governance

Evaluation system to measure the level of compliance with the Manual on Corporate Governance

The Corporation undertakes assessment and performance evaluation exercises in relation to its policies for the purpose of monitoring compliance.

Measures to comply with the adopted leading practices on good corporate governance

The Corporation has appointed a Compliance Officer who shall monitor compliance with the requirements of its revised Manual on Corporate Governance. The Corporation has also established a Corporate Governance Committee that has the responsibility of ensuring the implementation of its governance principles and policy guidelines.

Independent Director

The Company currently has three (3) directors. Upon completion of the 2023 Annual Stockholders' Meeting, the Company expects to have four (4) independent directors.

Plans to improve

The Board and Committees undertake to take further steps to enhance adherence to principles and practices of good corporate governance. The Corporation undertakes to periodically review its policies and guidelines, and ensure compliance with all SEC and PSE mandated corporate governance memorandums. There have been no deviation for the past year from the Company's Manual on Corporate Governance. In fact, as of date:

- The Corporation completed the 2022 assessment and performance evaluation for its directors, including the evaluation through a third party. The Corporation will also conduct the 2023 assessment and performance evaluation.
- The Corporation has been regularly conducting committee meetings to ensure that all Company policies are observed.
- The Corporation, including the Board of Directors, has conducted its 2022 Strategic Planning to pave way for its short term and long term planning and strategy. The Corporation will have a 2023 Strategic Planning this third quarter of 2023.
- The Audit Committee conducts meetings with its external auditor, without the presence of Management.
- Diversity in Xurpas' Board with the election of Ms. Imelda C. Tiongson as the lead independent director. For 2022, there are two (2) females sitting on Xurpas Board.

ANNEX "E"

COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

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

UNIT 804 ANTEL 2000 CORPORATE CENTER, 121 VALERO ST. SALCEDO VILLAGE, BRGY. BEL-AIR, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	**8889-6467**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
32	**2nd Monday of May**	**March 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**8889-6467**	**N/A**

Contact Person's Address

Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City

***Note**: **1**.* In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

***2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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, 2022**

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. **Unit 804 Antel 2000 Corporate Center, 121 Valero St.**
Salcedo Village, Makati City
Address of principal office

1227
Postal Code

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**1,872,796,877**

As of December 31, 2022, 38.75% 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, 2022.

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, 2022 amounted to Php210,987,047.57. The price used for this computation is the closing price as December 29, 2022 which is at Php0.265.

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 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 telephone companies (Telcos) and other companies for network and applications development. It is also involved in the creation and development of digital products and services, as well as the creation, development, and management of proprietary platforms for its clients.

The Company's main business units comprise of: 1) Enterprise solutions; 2) Other services-HR technology services; and 3) Mobile consumer products and services. *See Products and Services for a detailed discussion.*

Listing with the Philippine Stock Exchange

On November 12, 2014, the Philippine Stock Exchange ("PSE") approved the initial public offering of the Company and offer of 344,000,000 common shares at an offer price of ₱3.97 per share. On December 2, 2014, the common shares of Xurpas were listed in the PSE.

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

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

Acquisitions and Investments

Altitude Games Pte. Ltd. The Company purchased 21.78% ownership in Altitude Games Pte. Ltd. in 2014, a Singaporean IT company engaged in computer game development and publishing. In 2020, Altitude accepted game development projects outsourced to it by certain offshore game publishers and launched games using blockchain.

Storm Technologies Inc. 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 51.31% controlling stake in Storm. In 2019, Storm set up its subsidiary, AllCare Technologies Philippines, Inc., with a 69% stake, to offer subscriptions in HMO and other pre-need employee benefits to small teams and freelancers.

Seer Technologies Inc. Xurpas acquired a 70% controlling stake in Seer Technologies Inc. ("**Seer**"), a company engaged in software consultancy, design, development and managed services focused on mobile, cloud and data technologies. Seer has been operationally absorbed by the Parent Company.

Xurpas Enterprise Inc. Xurpas also registered Xurpas Enterprise Inc. with the Philippine Securities and Exchange Commission in March 2016. Xurpas Enterprise was created to primarily engage in the business of software development including designing, upgrading, and marketing all kinds of information technology systems to corporate clients. It also engages in enterprise solutions, IT staff augmentation, outsourcing and managed services.

PT Sembilan Digital Investama On March 26, 2015, Xurpas acquired 49% shareholdings in PT Sembilan Digital Investama ("SDI"). The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns. In 2020, clients included Hooq and Viu.

MatchMe Pte. Ltd. On March 30, 2015, the Parent Company acquired 1,000,000 ordinary shares of MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱61.60 million. In 2018, MatchMe issued 1,547,729 ordinary shares worth US$0.079 per share or a total of $122,944. The Parent Company subscribed to 467,820 ordinary shares for a total of US$37,161 or 1,977,018 resulting in an increase in percentage ownership from 28.59% to 29.10%. MatchMe was not able to level-up its operations in 2019 and has eventually resulted in it becoming dormant.

Micro Benefits Limited. The Company also acquired 23.53% ownership in Micro Benefits Limited ("**Micro** Benefits"), a company registered in Hong Kong in March 2016. Micro Benefits is engaged in the business of providing HR benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd, China. It developed a mobile application called CompanyIQ, which focuses on four key areas to improve employee engagement and business operations: Worker Voice, Digital Learning, Employee Portal, and Business Intelligence.

Art of Click Pte. Ltd. On October 6, 2016, Xurpas acquired 100% stake in Art of Click Pte. Ltd ("AOC"), a company registered under the laws of Singapore and engaged in the business of mobile media advertising that offers a marketing platform for advertisers. On March 30, 2020, the BOD of the Parent Company approved the suspension of business operations of AOC.

Xeleb Technologies Inc. and Xeleb Inc. develops digital products and services, with a particular focus on celebrity-branded and themed mobile Casual Games and Content for consumers. With the decline in the Company's mobile consumer business, the Company has announced in 2019 that it intends to dissolve the said entities.

The Company has also sold the following entities:

- **CTX Technologies Inc.**The Company incorporated CTX Technologies Inc. in 2018. In 2020, the Company's board of directors approved the sale of CTX to one of its principal shareholders, Mr. Fernando Jude F. Garcia.

- **Yondu Inc.** In September 2015, the Company acquired a 51% controlling stake in Yondu Inc. ("Yondu"), originally a Globe Telecom wholly-owned subsidiary which is presently engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices and media networks. Xurpas sold its 51% interest in Yondu in September 2019.

The list of companies in which Xurpas has a voting interest as of December 31, 2022 and 2021 are as follows:

	Percentage of Voting Interest	
	2022	2021
Xeleb Technologies Inc. (formerly Fluxion, Inc.)[1]	100.00%	100.00%
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%	51.31%
Seer Technologies Inc.	70.00%	70.00%
Xurpas Enterprise Inc.	100.00%	100.00%
Art of Click Pte. Ltd.	100.00%	100.00%
PT Sembilan Digital Investama	49.00%	49.00%
MatchMe Pte. Ltd.	29.10%	29.10%
Micro Benefits limited	23.53%	23.53%
Altitude Games Pte. Ltd	21.17%	21.17%
Altitude Games Inc.	21.17%	21.17%
Zowdow, Inc. (formerly Quick.ly Inc.)	3.56%	3.56%
ODX Pte. Ltd.	100.00%	100.00%

<u>PRODUCTS AND SERVICES</u>

Enterprise Services

The Company, together with 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.

In 2022, with the rise of blockchain technology and its potential to revolutionize various industries, the Company took a significant step towards expanding its services by dedicating a business unit within Xurpas Enterprise to provide information technology staff augmentation, managed services, outsourced project development and custom solutions for blockchain-based applications. The Company assembled a team trained in blockchain programming languages and tech stacks.

For the year ended December 31, 2022, the Company’s total revenue and net loss from its enterprise business before intersegment adjustments were ₱219.75 million and ₱109.73 million, respectively, while total revenue and net loss before intersegment adjustments from its enterprise business were ₱153.62 million and ₱27.61 million, respectively, for the year ended December 31, 2021.

Mobile Consumer Services

The Company creates and develops mobile consumer content and other value-added services (“VAS”) for mobile phone subscribers such as online casual games as well as mobile marketing and advertising solutions. As of December 31, 2022, the Company continues to be a party to content provider agreements with two (2) of the Philippines leading Telcos, namely, Smart Communications, Inc. and Globe Telecom Inc. The Company continues to offer previously launched mobile games in partnership with a major media company. 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

[1] *Xeleb Technologies Inc. is in the process of dissolution.*

games, which revenues are shared with the media company. The Company also continues to offer mobile marketing and advertising solutions either directly or through third party suppliers.

For the year ended December 31, 2022, the Group’s total revenue and net income from its mobile consumer products business before intersegment adjustments were ₱17.42 million and ₱32.68 million, respectively, while total revenue and net loss before intersegment adjustments from its mobile consumer products business for the year ended December 31, 2021 amounted ₱40.55 million and ₱11.01 million, respectively. For both 2022 and 2021, the net income earned by the mobile consumer segment was mainly attributable to the gain on derecognition of long-outstanding payables of Art of Click (AoC), a subsidiary of the Company that operated under this segment.

Other Services

Storm, through its subsidiary AllCare, offers various HMO plans with different coverage and benefits that cater to the needs and budget of its members. Its HMO plans include access to consultations with primary care physicians, specialist doctors, laboratory tests, and hospitalization coverage, among others. AllCare's subscription plans are designed to be affordable for small teams and freelancers who may not have access to group health insurance plans offered by larger companies.

For the year ended December 31, 2022, the Company’s total revenue and net loss from its other services before intersegment adjustments were ₱43.82 million and ₱42.84 million, respectively. While for the year ended December 31, 2021, the Company’s total revenue and net loss before intersegment adjustments from its other services were ₱27.27 million and ₱20.85 million respectively.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. (“ODX”), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to US$4,999,960 will be used to start building the ODX infrastructure and for business development. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the “Token Holders”). In 2022, there was maintenance work done on the platform.

In 2022, with the rise of blockchain technology and its potential to revolutionize various industries, the Company took a significant step towards expanding its services by dedicating a business unit within its subsidiary Xurpas Enterprise to provide information technology staff augmentation, managed services, outsourced project development and custom solutions for blockchain-based applications. The Company, through its subsidiary, assembled a team trained in blockchain programming languages and tech stacks.

COMPETITION

For its enterprise development business, the Company considers Stratpoint, Pointwest, Yondu, Asticom and Novare as its main competitors, providing outsourced web and mobile applications development services, cloud services for their clients, and staff augmentation. For business solutions, the Company competes with Oracle Netsuite, Odoo and Acumatica for Enterprise Resource Planning, and Sprout Solutions and Salarium for Payroll Systems. For the Company’s other services, the main competitors are HMOs like Maxicare, Medicard, Intellicare, AsianLife, PhilCare, Fortune Medicare, CareHealth Plus, ValuCare, and Insular Health Care. For its mobile consumer content development business, the Company competes with Yondu.

Ability to maximize and adapt to new technologies

The Company has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offer a marketplace of technology products that consumers can choose from. The Company has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Company's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Company will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.

Concentrated ownership offers a potential risk for conflict of interest

The Company is substantially owned and/or controlled by the three (3) founders, Messrs. Nico Jose S. Nolledo, Fernando Jude F. Garcia and Raymond Gerard S. Racaza, wherein they own approximately 61.08% of the issued and outstanding shares of the Company. The Company has been working towards diversification. In fact, the Company has implemented the following to ensure that related party transactions, if any, are made at arm's length:

- Out of the eight (8) board seats, only three (3) board seats are occupied by the controlling shareholders (or their affiliates). Moreover, most of these directors are appointed as non-executive directors, which accordingly lessens the risk for conflict of interest.
- The Company's Chief Executive Officer (CEO) is also an independent party, not affiliated with the said principal shareholders.
- The Company has also appointed three (3) independent directors.
- The Company has strengthened its Related Party Transactions Policy.
  The Company also has an Audit and Related Party Transactions Committee that evaluates related party transactions, as may be applicable.

TRANSACTIONS WITH RELATED PARTIES

The Company has likewise secured loans from its key shareholders. See Note 19 of the Company's consolidated financial statements for transactions as of December 31, 2022.

On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Company agreed to extend an aggregate of ₱150 million loan to be used to fund enterprise projects and for general corporate purposes.

In 2020, the Board of the Company also approved the sale of CTX Technologies Inc. to a director of Xurpas, Mr. Fernando Jude F. Garcia.

In 2022, the Company's founder, Mr. Nico Jose S. Nolledo subscribed to new Xurpas Shares at a subscription price of Fifty-Five Centavos (₱0.55) per share, or an aggregate subscription price of ₱100 million.

INTELLECTUAL PROPERTY

Since the Company's pivot as an information technology company specializing in enterprise solutions, the Company's intellectual property portfolio has evolved to reflect its new focus. The Company owns and holds exclusive rights to the proprietary software, applications, and other technology assets that it has created or acquired, with the exception of those assets it creates on a work-for-hire basis for its clients. The Company also incorporates third-party software and open source software into some of its products under the terms of various licenses, carefully managing its use to ensure compliance with licensing terms and conditions. With respect to its mobile consumer content business, the Company maintains its rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

Platforms

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

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

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

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

The Company, through Storm, owns a patented proprietary platform that includes a system, method, and data processing apparatus working together to provide a secure and efficient payment processing solution for electronic transactions. The Company maintains the platform's patent with the Intellectual Property Office of the Philippines ("IPOPHIL").

Trademarks

The Company has exclusive rights to its corporate name, which may be deemed as a protected established mark in relation to the same or similar services without need for prior registration. Nevertheless, the Company is in the process of renewing the registration over this trademark with IPOPHIL.

Despite the Company's shift towards information technology enterprise solutions, it still holds several registered trademarks that were registered under its subsidiary, Xeleb Technologies Inc., which is in the process of dissolution.

REGULATION AND KEY LICENSES

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

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

- Content and Program Service
- Messaging services
- Electronic Gaming, except gambling

The Company holds a VAS License issued by the NTC valid until January 3, 2026, pursuant to which the Company is authorized to engage in all of the foregoing value-added services.

EMPLOYEES

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

The table below sets forth the breakdown of the Company's labor complement, grouped according to function, as of December 31, 2022:

Executives	5
Accounting, Finance, Human Resources, Legal and Administration	17
Sales	8
Recruitment	5
Talent Management	8
Marketing	5
Technical Staff	29
Total	**77**

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.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company ensures that it complies with existing environmental laws and regulations, as may be applicable.

PLANS AND PROSPECTS

Aligned with the country's steps to recover and grow economically in 2023, Xurpas continues to expand and build its business as it takes advantage of the widening of digital adoption or a shift to digitization not just in the country but the world post-pandemic.

Consistent with last year's plans, the Group is maintaining its focus and efforts on IT Staff Augmentation, growing its products and services under custom software development and business solutions and seizing opportunities brought by Web 3.0. In order to achieve these objectives, the Group aligned some strategies to better maximize its competitive advantage. These strategies involve i) geographical − extending presence beyond the country's borders ii) operational − streamlining its operations and reinforcing marketing efforts with digital marketing and iii) product expansion − focusing on the latest technological advances, including machine learning and artificial intelligence.

1. IT Staff Augmentation**:** The demand continues to increase for IT staff augmentation year-on-year and is proven by the continuing increase in revenues for 2022 since it was launched. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. This also led to the Group's decision to expand its digital influence geographically to cover other markets in need of their services even beyond the country's borders. In 2023, the Company has announced its plans to establish its presence in Australia, with the aim of introducing its product offerings to larger markets.

2. Custom Software Development: As technology becomes increasingly ingrained in a lot of businesses, the demand to adopt digital transformation has also been increasing for the custom software development business. It has been one of their top priorities as they focus to keep up with these technological changes in order to stay relevant and competitive in the market. The Group has observed an increase in demand for its custom software development in 2022 where revenues substantially increased by 131% from last year. With this, the Group will continue to take this opportunity to maximize its expertise in providing these types of services in the market.

3. Digital Business Solutions: As the Group aims to curate a regional marketplace of B2B software services and products, it is targeting to cater the large untapped SME Market. The Group will help these companies enable their digital transformation by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower cost, to accommodate the budget of local SMEs. These SMEs comprise a large percentage of the market. The Group shall implement this with a curated technology platform and an ecosystem of partners. The incorporation of Xurpas Software, Inc. (XSI) is one of the actions being undertaken to fulfill this objective. This will focus on providing business solutions of various technological products and services to different industries from different scales.

4. Web 3.0**:** This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

ITEM 2. Properties

LEASED PROPERTIES

Xurpas and its subsidiaries do not hold any real property of material value. Xurpas is leasing its office space at Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Barangay Bel-Air, Makati City with an area of 127.67 square meters. The lease contract has a term of two (2) years which commenced on March 1, 2021 and expired on February 28, 2023 and may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year. The applicable rate per month is ₱86,816. Subsequent to the execution of the Lease Contract, Milestone Petroleum Marketing Corporation, Inc. sold the Office Space to Red Round Abacus Inc. and executed a Deed of Assignment of Lease constituting Red Round Abacus Inc. as the Company's current Lessor.

On January 31, 2023, the parties renewed the lease contract for another 2 years commencing from March 1, 2023 and ending on February 28, 2025. The applicable rate per month for the first year is ₱90,288.22 and ₱93,899.75 for the second year.

The Company also previously held an office at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines with an area of 507 square meters. On March 31, 2020, the lease contract was renewed for a period of one (1) year which terminated on March 31, 2021. The applicable rate per month is ₱0.33 million.

Xurpas' subsidiaries have their respective operating lease agreements for their office spaces (please refer to Note 18 of the accompanying Notes to consolidated financial statements for details). The lease contracts are for periods ranging from 1 to 2 years and may be renewed under the terms and conditions mutually agreed upon by the subsidiaries and the lessors.

OTHER PROPERTIES

As of December 31, 2022, the Group has office equipment, IT equipment, furniture and fixtures and leasehold improvements with a net book value of ₱5.61 million that are situated in the leased offices held by the Group.

Xurpas also owns intangible assets amounting to ₱62.84 million as of December 31, 2022. These includes goodwill, developed software and cryptocurrencies.

There was no property and equipment pledged as collateral as at December 31, 2022.

ITEM 3. Legal Proceedings

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

In 2017, Art of Click ("AoC") and Pocketmath entered into an agreement ("the IO Agreement") for the performance of advertising campaigns amounting to USD4.77 million. Pocketmath failed to pay the invoices as they fell due. Thus, on 18 February 2020, AoC was compelled to issue and serve Statutory Demand to Pocketmath for the outstanding invoices as well as accrued late payment interest, amounting to USD7,873,834.99. Pocketmath likewise failed to pay its liability as reflected in the Statutory Demand. Thereafter, AoC initiated a winding-up proceeding against Pocketmath in the Singapore High Court. After several proceedings, the parties entered into a Settlement Agreement dated 1 July 2020. Pursuant to the Settlement Agreement, Pocketmath paid AoC through Xurpas Inc. USD400,000.00 divided into four equal installments, with the final amount received in September 2020.

On February 8, 2020, AMA Computer University Inc. filed a case at the Quezon City RTC Branch 84 against Seer Technologies Inc for breach of contract and damages. The plaintiff argued that Seer did not perform the services according to the agreement entered by the 2 parties. On March 6, 2020, the case was settled. At the same time, the court ordered the release of hold on the bond amounting to ₱5.04 million.

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

Xurpas Inc. held a Special Stockholders' Meeting on August 9, 2022 wherein the following matters were acted upon:

Agenda 1: Approval of Minutes of Previous Meeting		
Approved by	100% of those present in the meeting	
Resolution: "RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on August 11, 2021."		

Agenda 2: Annual Report and Approval of 2021 Audited Financial Statements		
Approved by	100% of those present in the meeting	
Resolution: **RESOLVED**, that the stockholders of **XURPAS INC.** (the "**Corporation**") note the Corporation's Annual Report and to approve the Consolidated Audited Financial Statements of the Corporation as of December 31, 2021, as audited by SyCip Gorres Velayo & Co."		

Agenda 3: Amendment of By-Laws		
Approved by	100% of those present in the meeting	
Resolution: "**RESOLVED**, that the stockholders of **XURPAS INC.** (the "**Corporation**") approve the following amendments to the By-Laws: Article II, Sections 1, 4, 5, 6 and 7."		

Agenda 4: Election of Directors and Independent Directors	
Names	**Approved by**
Jonathan Gerard A. Gurango	100%
Alexander D. Corpuz	100%
Fernando Jude F. Garcia	100%
Wilfredo O. Racaza	100%
Atty. Mercedita S. Nolledo	100%
Bartolome S. Silayan Jr.	100%
Imelda C. Tiongson	100%

Agenda 5: Appointment of External Auditor

Approved by	100% of those present in the meeting
Resolution: "**RESOLVED**, that Xurpas Inc. approves the appointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2022."	

Agenda 6: Ratification of Previous Acts of the Directors and Management	
Approved by	100% of those present in the meeting
Resolution: "**RESOLVED**, that the stockholders of the Corporation ratify all actions of the Directors and Management from January 1, 2021 to June 20, 2022."	

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Xurpas' common shares were listed with the Philippine Stock Exchange, Inc. on December 2, 2014. The high and low stock prices for 2017, 2018, 2019 and the first three (3) quarters of 2020 are indicated below:

	High	Low
2023		
1st Quarter	0.36	0.25
2022		
4th Quarter	0.28	0.246
3rd Quarter	0.35	0.25
2nd Quarter	0.37	0.27
1st Quarter	0.57	0.30
2020		
3rd Quarter	0.55	0.50
2nd Quarter	1.37	0.40
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
4th Quarter	2.39	1.04
3rd Quarter	3.72	2.02
2nd Quarter	3.92	2.80
1st Quarter	5.93	3.10
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.84	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2022, based on the closing price of ₱0.27/share, was approximately ₱554.755 million.[2]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, April 28, 2023, is at ₱0.27/share.

[2] Xurpas has 2,054,615,059 outstanding common shares as of December 31, 2022.

Holders

There are 32 registered holders of common shares, as of March 31, 2022:

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)	540,150,330	26.29	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	254,534,295	12.39	Others
3.	Nico Jose S. Nolledo	464,875,041	22.63	Filipino
4.	Raymond Gerard S. Racaza	375,765,960	18.29	Filipino
5.	Fernando Jude F. Garcia	375,073,960	18.26	Filipino
6.	Jonathan Gerard A. Gurango	169,399	0.01	Filipino
7.	Mercedita S. Nolledo	2,378,338	0.12	Filipino
8.	Wilfredo O. Racaza	1,060	Nil	Filipino
9.	Alexander D. Corpuz	1,000	Nil	Filipino
10.	Bartolome S. Silayan, Jr.	2,000	Nil	Filipino
11.	Imelda C. Tiongson	1,000	Nil	Filipino
12.	Eden International Holdings Pte. Ltd.	39,169,763	1.91	Non-Filipino
13.	Christopher P. Monterola	1,000,000	0.05	Filipino
14.	Rafael Jay P. Ramores	423,000	0.02	Filipino
15.	Nelson Gatmaitan	400,000	0.02	Filipino
16.	Roseller Artacho Mendoza	300,000	0.01	Filipino
17.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
18.	Philina Roselle G. Mendoza	100,000	Nil	Filipino
19.	Aquilina V. Redo	6,500	0	Filipino
20.	Rogina C. Guda	6,000	0	Filipino
21.	Dahlia C. Aspillera	2,900	0	Filipino
22.	Roberto B. Redo	1,000	0	Filipino
23.	Shareholders' Association of the Philippines	1,000	0	Filipino
24.	Dondi Ron R. Limgenco	111	0	Filipino
25.	Marietta V. Cabreza	100	0	Filipino
26.	Milagros P. Villanueva	100	0	Filipino
27.	Myra P. Villanueva	100	0	Filipino
28.	Myrna P. Villanueva	100	0	Filipino
29.	Philip &/or Elnora Turner	99	0	British-Indian
30.	Alvin D. Lao	10	0	Filipino
31.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
32.	Joselito T. Bautista	1	0	Filipino
	Total	**2,054,615,059**	**100.00%**	

Dividends and Dividend Policy

Information on the Company's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	₱0.05	₱92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
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 PhP1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes in 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.

3. Issuance of New Common Shares to Wavemaker Group

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

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

On September 20, 2020, the Board amended the previous resolutions / approvals, and approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of ₱0.10 per share ("**Subscription Price**") to the following:

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

In the approval made by the Board on September 20, 2020, the distribution of the shares to be issued has been identified. Moreover, there was a minor increase in the number of shares to be issued to the Subscribers.

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement.

Xurpas has not issued any Xurpas Share to Wavemaker in relation to the foregoing transaction, and accordingly, all commitments made therein are deemed terminated.

5. Issuance of New Xurpas Shares to Nico Jose S. Nolledo

On January 20, 2022, Xurpas and Nico Jose S. Nolledo executed a Subscription Agreement wherein the subscriber subscribed to Xurpas Shares at a subscription price of ₱0.55 per share at a total subscription price of ₱100 million. In relation to this, Nico Jose S. Nolledo received 181,818,182 new common shares. The subscription price was fully paid by the subscriber, in cash.

The Company has disclosed that the fresh capital will be used for expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development and general corporate purposes.

The subscription shares have not been listed with the Philippine Stock Exchange.

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

2022 is the year where the nation gradually shifted its focus from COVID-response to economic recovery. Businesses, schools and tourism were finally reopened at their almost full capacities in an attempt to regain their pre-pandemic standing. This has been evident by the increase of the country's Gross Domestic Product (GDP) to 7.6% in 2022 compared with the 5.6% growth in 2021, per Philippine Statistics Authority.

However, there were other external factors that inhibited the full progress towards economic recovery of the country especially during the last quarter of the year. High inflation, rising interest rates and weakening of the Philippine Peso versus various foreign currencies were evident by the end of 2022 which affected economic performance. It is also this year when cryptocurrencies entered a difficult period of declining prices – the crypto winter. The drop in the value was steep by almost 70% for Bitcoin and Ethereum by the end of the year. The abovementioned variables made an impact in the Group's financial situation having assets and liabilities that require mark to market valuation. As the Group has 1) investment in subsidiaries and associates which have foreign functional currencies 2) liabilities denominated in US Dollar and 3) cryptocurrencies, the Company has to ensure that these assets and liabilities are measured at their fair value based on current market conditions at year-end. All these resulted to the recognition of unrealized forex losses, revaluation losses, and impairment of goodwill for an affiliate. However, it is noteworthy to mention that excluding these uncontrollable and one-off expenses by the Group, an improvement can still be seen in the Company's operational performance in 2022, compared with the previous year.

Notwithstanding this, the Group continues to strive and put vigorous efforts to further strengthen and build its businesses. The Group continues to see a lot of opportunities and continues to provide services to the market to jumpstart their digital transformation given its high and growing demand even at post-pandemic. Plans to continue strengthening its enterprise service business by focusing on IT staff augmentation, further growing its services under custom software development and business solutions and seizing opportunities brought by Web 3.0 are consistently aligned with the strategies being undertaken by the Group which involves geographical, operational and product expansion.

Financial Summary

Key Financial Data In PhP Millions	For the years ended December 31 2022 Amount	2022 Percentage	2021 Amount	2021 Percentage	Amount Change	% Increase (Decrease)
Revenues						
Mobile consumer services	15.68	7%	40.55	19%	(24.87)	(61%)
Enterprise services	167.81	74%	117.57	56%	50.24	43%
Other services	43.83	19%	51.91	25%	(8.08)	(16%)
Total Revenues	**227.32**	**100%**	**210.03**	**100%**	**17.29**	**8%**
Cost of Services	169.79	75%	158.88	76%	10.92	7%
Cost of Goods Sold	-	0%	13.93	7%	(13.93)	(100%)
Gross Profit	**57.53**	**25%**	**37.22**	**18%**	**20.30**	**55%**
General and Administrative Expenses	150.90	66%	85.25	41%	65.65	77%
Equity in Net Losses of Associates	4.28	2%	0.32	0%	3.96	1,238%
Finance Costs and Other Income - Net	(26.00)	(10%)	(19.22)	(9%)	6.77	35%
Loss Before Income Tax	**(71.66)**	**(32%)**	**(29.12)**	**(14%)**	**42.54**	**146%**
Provision for (Benefit from) Income Tax	4.24	2%	(2.96)	(1%)	7.20	243%
Net Loss	**(75.90)**	**(33%)**	**(26.16)**	**(12%)**	**49.74**	**190%**
Other Comprehensive Income (Loss)	(46.89)	(21%)	13.60	6%	(60.49)	(445%)
Total Comprehensive Loss	**(122.79)**	**(54%)**	**(12.56)**	**(6%)**	**110.23**	**878%**

	Dec. 31, 2022 Amount	Dec. 31, 2021 Amount	Amount Change	% Increase (Decrease)
Total Assets	602.66	605.94	(3.28)	(1%)
Total Liabilities	633.36	613.85	19.51	3%
Total Capital Deficiency	(30.70)	(7.91)	22.79	288%

The Group's total revenue in 2022 was ₱227.32 million, an 8% increase from results in 2021. Despite the improvement in revenues, due to external factors discussed, net loss was at ₱75.90 million in 2022 (a 190% deterioration in comparison to the ₱26.16 million net loss in 2021). Majority of the increase in revenue was driven by enterprise services which generated ₱167.81 million or 74% of the total revenue. This was followed by other services and mobile consumer services which generated ₱43.83 million (19% of total revenues) and ₱15.68 million (7% of total revenues), respectively in 2022.

The blended cost of services in 2022 went up from ₱158.88 million to ₱169.79 million as compared to 2021 which is consistent with the increase in revenues primarily under IT staff augmentation. The increase is also contributed by the substantial increase of outside services of AllCare in correlation to its increase in revenue for 2022.

Gross margin on total revenues went up significantly by 55% from a gross profit of ₱37.22 million during 2021 to a gross profit of ₱57.53 million in 2022 and is driven by the increase in revenues for the period. There was also an increase in the overall gross profit margin to 25% in 2022 from 18% in 2021.

General and administrative expenses (GAEX) increased by 77%, from ₱85.25 million in 2021 to ₱150.90 million in 2022. The increase is largely caused by non-recurring operating expenses incurred for the year such as provision for impairment losses, unrealized foreign exchange losses, and write-offs of receivables which are non-cash expenses amounting to ₱53.17 million. In addition, salaries and wages also contributed to the increase in 2022 GAEX due to additional management and manpower which is imperative to continuously achieve growth and to be able to implement expansion as part of the Company's plan.

Excluding the non-recurring expenses incurred, pre-tax operating loss is lower by 22% in 2022 compared with the previous year. Non-recurring expenses pertaining to unrealized forex and impairment losses and write-offs amount to ₱53.17 million in 2022 compared with the ₱5.48 million figure in 2021. These non-recurring, non-cash expenses are largely brought by uncontrollable external factors.

	2022	2021	Amount Change	% Increase (Decrease)
Loss before tax	(71.66)	(29.12)	(42.54)	146%
Exclude:				
Non-recurring expenses	53.17	5.48	47.69	871%
Loss before tax excluding non-recurring expenses	**(18.49)**	**(23.64)**	**5.15**	**-22%**

The Company also shares in the recorded net losses of its associate companies, which amounted to ₱4.28 million for the year ended December 31, 2022 (a 1,238% increase from 2021).

Consolidated total assets decreased from ₱605.94 million as of December 31, 2021 to ₱602.66 million as of December 31, 2022. Despite the impairment of Storm assets and investment goodwill in MBL, the Group saw minimal change in total assets due to the compensating increase in working capital assets particularly from mobile consumer and enterprise services segments.

Consolidated total liabilities also went slightly higher by 3% from ₱613.85 million as of December 31, 2021 to ₱633.36 million as of December 31, 2022 largely due to the foreign exchange revaluation of foreign-denominated payables like advances from stockholders and constructive obligations of ODX. Lastly, consolidated capital deficiency went up to ₱30.70 million as of December 31, 2022, from a capital deficiency of ₱7.91 million in 2021 mainly due to the total comprehensive loss recognized by the Group in 2022 amounting to ₱122.79 million, a result of the mark to market valuation of the assets due to the deterioration of the Philippine peso vis-à-vis US Dollar and Singapore dollar; and the drop in prices of Bitcoin and Ethereum.

Segment Financial Performance

For the year ended December 31, 2022	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Total Service Revenues	**17.42**	**219.75**	**43.83**	**(53.68)**	**227.32**
Operating expenses	26.91	306.12	84.81	(97.15)	320.69
Equity in net losses of associates	-	-	-	4.28	4.28
Other charges (income) - net	(42.31)	19.25	1.86	(4.80)	(26.00)
Total Expenses (Other Income) - net	**(15.40)**	**325.37**	**86.67**	**(97.67)**	**298.98**
Operating Income (Loss)	**32.82**	**(105.62)**	**(42.85)**	**43.99**	**(71.66)**
Benefit from (Provision for) Income Tax	(0.14)	(4.11)	0.01	-	(4.24)
Net Income (Loss)	**32.68**	**(109.73)**	**(42.84)**	**43.99**	**(75.90)**

Xurpas Group operates under mobile consumer services, enterprise services and other services, which refers to the business of Storm Technologies. Prior to eliminations, for the year ended December 31, 2022, the enterprise services generated the majority of the total revenues amounting to ₱219.75 million. This is followed by other services which amounted to ₱43.82 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱17.42 million.

Prior to eliminations, enterprise services and other services incurred net losses amounting to ₱109.73 million and ₱42.84 million, respectively. A significant contributor to the net loss of other services in 2022 is the suspension of the Flex Benefits operations of its subsidiary, Storm Technologies.

Conversely, mobile consumer services earned net income of ₱32.68 million primarily due to the gain from derecognition of long-outstanding payables of AOC amounting to ₱40.73 million. After effecting intersegment adjustments, enterprise services and other services improved its bottom line to ₱65.82 million and ₱42.37 million respectively, while mobile consumer services decreased to ₱32.29 million.

Profitability

For the year ended December 31, 2022, compared with the year ended December 31, 2021.

Revenues

The consolidated revenues of the Group for the year ended December 31, 2022, amounted to ₱227.32 million, an increase of 8% from ₱210.03 million of the previous year.

Segment	Description	Subsidiaries
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	• Xurpas Enterprise • Xurpas Parent Company • Seer
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	• Xurpas Parent Company
Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits – from insurance, health checks and wellness.	• AllCare

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	167.81	74%	117.57	56%	50.24	43%
Mobile consumer services	15.68	7%	40.55	19%	(24.87)	(61%)
Other services	43.83	19%	51.91	25%	(8.08)	(16%)
Total Revenues	**227.32**	**100%**	**210.03**	**100%**	**17.29**	**8%**

In 2022, enterprise services generated the most revenues at ₱167.81 million or 74% of total revenues. The enterprise services segment is comprised of the following business units:

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Enterprise Services						
IT staff augmentation	116.98	70%	90.67	77%	26.31	29%
Custom software development	46.49	28%	24.03	20%	22.46	93%
Business solutions	1.89	1%	0.58	1%	1.31	227%
Others	2.45	1%	2.29	2%	0.16	7%
Total Enterprise Services	**167.81**	**100%**	**117.57**	**100%**	**50.25**	**43%**

The growth in total revenues is primarily steered by the company's focus on growing its IT staff augmentation enterprise business which is 70% of the total enterprise revenue volume. This increased by 29%, from ₱90.67 million in 2021 to ₱116.98 million in 2022. This coming from a mere ₱16.14 million in 2020. Custom software development revenues comprising 28% of the total enterprise revenue, increased by 93%, from ₱24.03 million in 2021 to ₱46.49 million in 2022. Revenues from business solutions also increased by 227% from 2021 to 2022. Xurpas aims to improve further these revenue-generating segments by its ongoing expansion plans which will enable it to continue providing innovative solutions to its customers while expanding its global footprint.

In contrast, other services recorded a decrease in revenue amounting to ₱43.83 million (from ₱51.91 million in 2021) or a 16% decline as a result of the suspension of the Flex Benefits segment business of Storm. However, the ongoing expansion of AllCare, a majority-owned subsidiary of Storm Technologies, generated an increase in revenues of ₱17.47 million (66%), from ₱26.35 million for the year ended December 31, 2021 to ₱43.83 million in 2022. Revenues generated by mobile consumer services also decreased amounting to ₱15.68 million (61%) from the previous year.

Expenses

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	169.79	53%	158.88	62%	10.92	7%
Cost of Goods Sold	-	0%	13.92	5%	(13.92)	(100%)
General and Administrative Expenses	150.90	47%	85.25	33%	65.65	77%
Total Expenses	**320.69**	**100%**	**258.05**	**100%**	**62.64**	**24%**

The Group's consolidated expenses during the year ended December 31, 2022 amounted to ₱320.69 million, a 24% increase from the same period of the previous year at ₱258.05 million. In 2022, only cost of services and GAEX accounted for the total expenses.

Cost of Services

In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	113.14	67%	91.27	58%	21.87	24%
Outside services	29.18	17%	16.67	10%	12.51	75%
Outsourced services	16.25	10%	35.47	22%	(19.22)	(54%)
Depreciation and amortization	6.15	4%	7.41	5%	(1.26)	(17%)
Others	5.07	3%	8.06	5%	(2.99)	(37%)
Total Expenses	**169.79**	**100%**	**158.88**	**100%**	**10.92**	**7%**

The cost of services in 2022 amounted to ₱169.79 million, an increase from the ₱158.88 million in 2021. 67% of the cost of services came from salaries and wages, and outside services which amounted to ₱113.14 million and ₱29.18 million, respectively; and recorded a 24% and 75% increase. This is pushed by the increase in manpower relating to IT staff augmentation and higher outside services by AllCare due to the increase in benefits and claims resulting from the growth in revenue during the period.

Cost of Goods Sold (COGS)

The Group recorded COGS amounting to nil and ₱13.92 million for the years ended December 31, 2022 and 2021, respectively. The COGS is directly attributable to the Flex Benefits operations of Storm which was suspended in 2022.

General and Administrative Expenses (GAEX)

In PhP Millions	For the years ended December 31					
	2022		2021		Amount	% Increase
	Amount	Percentage	Amount	Percentage	Change	(Decrease)
General and Administrative Expenses						
Provision for impairment losses and loss on write off	50.17	33%	2.63	3%	47.54	1,807%
Salaries, wages and employee benefits	44.56	30%	31.46	37%	13.10	42%
Outsourced services	5.96	4%	1.03	1%	4.93	479%
Marketing and promotions	7.16	5%	4.57	5%	2.59	57%
Professional fees	14.17	9%	15.78	19%	(1.61)	(10%)
Others	28.88	19%	29.76	35%	(0.88)	(3%)
Total Expenses	**150.90**	**100%**	**85.25**	**100%**	**65.65**	**77%**

General and administrative expenses relating to the Group's operations, for the year 2022, amounted to ₱150.90 million, higher by 77% compared to previous year's level of ₱85.25 million. The significant change in this account was caused by the following:

- Provision for impairment loss accounted for 33% in 2022 and increased by 1,807% vis-à-vis in 2021. During the year, the Company wrote down and provided allowance for the impairment of Storm's assets amounting to ₱17.05 million, due to the suspension of its flex benefits operations. A provision was also recognized for the impairment of the Company's investment in MicroBenefits, an associate, amounting to ₱24.97 million. There is an unrealized foreign exchange loss on the advances of the Founders, amounting to ₱8.79 million.
- Salaries and wages accounted for 30% in 2022 and increased by 42% vis-à-vis in 2021 due to the related increase in manpower for the year. Additional executives and managers were brought in the Company and are deemed essential for the Company's growth and expansion.
- Higher marketing and promotions were incurred in 2022 due to the continuing expansion of AllCare for its HMO and pre-need employee benefits business.
- Professional fees and other expenses, on the other hand, decreased by 10% and 3% respectively due to continuous cost reduction efforts of the management compared with the last year.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the year ended December 31, 2022, amounted to ₱4.28 million, 1,238% higher compared to the ₱0.32 million share in net losses for the comparable period. 9Lives generated net income for the period but was offset by the losses incurred by other associates, Altitude SG and MicroBenefits.

Finance Costs– net

For the year ended December 31, 2022 and 2021, the Group posted a slight 1% increase in finance costs of ₱9.20 million and ₱9.15 million, respectively.

Other Income – net

For the year ended December 31, 2022, the Group recognized other income, net amounting to ₱35.20 million. The increase in this account was attributable to higher gain from derecognition of long-outstanding payables amounting to ₱40.91 million, 111% higher than in 2021. These payables mainly pertain to AOC. The said gain was partially reduced by the increase in FOREX loss amounting to ₱7.45 million, also higher by 53% in 2022 than in 2021.

Loss before Income Tax

The Group's loss before taxes for the year ended December 31, 2022, resulted to ₱71.66 million. The loss before income tax for the Group increased by 146% from the ₱29.12 million loss before income tax in 2021.

Should the Company exclude the one-off transactions incurred in 2022 and in 2021, the Company's pre-tax operational loss improved by 22% from the previous year.

	2022	2021	Amount Change	% Increase (Decrease)
Loss before tax	(71.66)	(29.12)	(42.54)	146%
Exclude:				
Non-recurring expenses	53.17	5.48	47.69	871%
Loss before tax excluding non-recurring expenses	**(18.49)**	**(23.64)**	**5.15**	**-22%**

Provision for (Benefit from) Income Tax

The Group recognized ₱4.24 million provision for income tax for the year ended December 31, 2022 vis-à-vis the ₱2.96 million benefit from income tax in 2021. Provision for income tax mainly pertains to enterprise services segment incurring income tax expense amounting to ₱4.11 million.

Net Loss

The Group posted a consolidated net loss of ₱75.86 million for the year ended December 31, 2022, an increase in net loss of 190% from the previous year's ₱26.16 million loss.

Other Comprehensive Income (Loss)

In 2022, the Group posted a ₱46.93 million in other comprehensive loss mainly from cumulative translation adjustment and revaluation of cryptocurrencies amounting to ₱32.31 million and ₱20.78 million respectively. This figure was a 445% decline from the 2021 other comprehensive income of ₱13.60 million. This decline was generally caused by the deterioration of the Philippine peso against foreign currencies and the decrease in the fair value of cryptocurrencies which can be seen in the below table.

	Foreign exchange rates		**Cryptocurrency price**	
	USD to PhP	**SGD to PhP**	**BTC**	**ETH**
December 31, 2021	USD1.00 to ₱50.77	SGD1.00 to ₱37.55	USD46,220	USD3,683
December 31, 2022	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197

Total Comprehensive Income (Loss)

For the year ended December 31, 2022, the Group's total comprehensive loss amounted to ₱122.79 million, which deteriorated in relation to the total comprehensive loss of ₱12.56 million for the year ended December 31, 2021.

Financial Position

As of December 31, 2022, compared to December 31, 2021.

Assets

Cash

The Group's consolidated cash amounted to ₱63.31 million for the year ended December 31, 2022. This is a net increase of 76% or ₱27.36 million from the consolidated cash of ₱35.95 million as of December 31, 2021 which is mainly due to the capital infusion that occurred early in 2022.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱96.71 million and ₱66.54 million as of December 31, 2022 and 2021, respectively. The increase of ₱30.13 million was primarily attributed to the increase of trade receivables for the period, as a result of the increase in enterprise revenues. Out of the consolidated accounts and other receivables, 81% or ₱78.35 million pertains to trade receivables – net and ₱32.31 million or 41% of the trade receivables – net is collectible from Globe Telecom.

Contract Assets

The Group's consolidated contract assets increased by ₱19.54 million from ₱29.76 million as of December 31, 2021 to ₱49.30 million as of December 31, 2022 due to increase in staff augmentation projects and revenues. Out of the consolidated contract assets, 73% or ₱35.98 million pertains to Globe Telecom.

Other Current Assets

As of December 31, 2022, the Group's consolidated other current assets totaled ₱15.07 million, a decrease of ₱6.01 million or 29% from its previous level on December 31, 2021 of ₱21.09 million. Prepaid expenses, creditable withholding taxes and input VAT comprise majority of other current assets. Decrease during the period was primarily due to the recognition of impairment loss for the other current assets of Storm.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of December 31, 2022, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱1.20 million, a 100% increase compared to the 2021 balance of ₱0.60 million resulting from the price appreciation of Club Punta Fuego club shares.

Investment in and Advances to Associates

As of December 31, 2022, the Group's consolidated investment in associates decreased from ₱336.22 million as of December 31, 2021, to ₱294.97 million. The substantial decline in the carrying amount of this account was brought about by the following factors:

- Equity in net losses of associates recognized by the Group amounted to ₱4.28 million, 1,238% higher than in 2021;

- Share in other comprehensive loss of associates from cumulative translation adjustment amounted to ₱12.00 million, 199% higher than in 2021. The increase was caused by the deterioration of the Philippine peso against foreign currencies; and
- The Group recognized impairment loss on its investment in MBL amounting to ₱24.97 million.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱232.35 million), Altitude Games Pte Ltd. (₱20.43 million), and SDI (₱20.10 million). Further, advances to SDI as of December 31, 2022 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱5.61 million as of December 31, 2022, vis-à-vis ₱4.66 million as of December 31, 2021. The Group acquired property and equipment amounting to ₱4.25 million as of December 31, 2022. Depreciation expense amounted to ₱3.24 million and ₱2.38 million for the year ended December 31, 2022, and 2021, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of December 31, 2022 and 2021 amounted to ₱0.17 million and ₱1.17 million, respectively. Depreciation expense pertaining to ROU asset amounted to ₱1.01 million for the year ended December 31, 2022.

Intangible Assets

As of December 31, 2022, intangible assets amounted to ₱63.11 million which decreased from the ₱88.51 million balance as of December 31, 2021. This is composed of goodwill, developed software, and cryptocurrencies.

- 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, 2022, goodwill was at ₱48.22 million.
- Developed software pertains to corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2022, net book value of developed software was ₱1.07 million. Additions and amortization of developed software for the year ended December 31, 2022 amounted to ₱1.10 million and ₱6.15 million, respectively. The Group also recognized impairment loss amounting to ₱1.02 million as a result of the suspension of Storm's Flex Benefits operations.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as of December 31, 2022, valued at ₱13.55 million. Revaluation surplus recorded under "Other Comprehensive Losses" in 2022 amounted to ₱20.78 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱13.52 million as of December 31, 2022 vis-à-vis the ₱21.43 million balance as of December 31, 2021. The decrease of 37% is caused by the provision of impairment loss on the noncurrent assets of Storm.

Liabilities

Accounts and Other Payables

The payables comprise of other payables, trade payables, payable to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

The Group's consolidated accounts and other payables was at ₱386.68 million as of December 31, 2022. The increase of 1% or ₱4.98 million from the ₱381.70 million balance as of December 31, 2021 is primarily due to the FOREX revaluation of the constructive obligation of ODX. Higher output VAT driven by the growth in revenues also contributed to the increase in total accounts and other payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱152.35 million and ₱143.56 million as of December 31, 2022 and 2021. The increase was brought about by FOREX revaluation of one of the loan agreements which is denominated in US Dollar.

Loans Payable

The Group recorded ₱33.82 million and ₱29.73 million in current loans as of December 31, 2022 and 2021, respectively. This is mainly attributable to the loans of subsidiaries, Storm and Seer which are interest-bearing and short-term. The increase was due to the reclassification from noncurrent liability of Storm loans payable that will fall due in 2023.

Contract Liabilities

The Group's consolidated contract liabilities as of December 31, 2022, amounted to ₱34.45 million, an increase of 34% from the December 31, 2021 figure of ₱25.76 million. The increase in this account was the result of the growing HMO business of AllCare.

Current Portion of Lease Liability

The Group recognized a lease liability for its office space in Antel. Current portion of the lease liability as of December 31, 2022 amounted to ₱0.17 million. As of the yearend, no noncurrent portion was recognized since the lease contract ends in April 2023.

Loan Payable – net of current portion

This account pertains to the noninterest bearing loan agreement entered by Storm amounting to₱17.32 million. The loan is payable in monthly installments over one (1) to five (5) years. As of December 31, 2022, outstanding balance of the loan amounted to ₱11.57 million of which ₱4.56 million was classified as noncurrent.

Deferred tax liability

Deferred tax liability as of December 31, 2022 amounted to ₱3,323 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group amounted to ₱21.31 million and ₱22.83 million as of December 31, 2022 and 2021, respectively. The decrease was caused by the resignation of a key management personnel in 2022 partially offset by the increase in manpower for the Company's IT staff augmentation operations.

Capital Deficiency

Total Capital Deficiency

The Group recorded total capital deficiency of ₱30.70 million as of December 31, 2022, a 288% increase from December 31, 2021 with a figure of ₱7.91 million. This was mainly due to the total comprehensive loss incurred during the year which was materially affected by (1) impairment of investment in MBL; (2) impairment of Storm assets; and (3) the decreases in foreign exchange rates and cryptocurrency prices. This was partially negated by the capital infusion that occurred in the first quarter of 2022.

Outlook for 2023

Aligned with the country's steps to recover and grow economically in 2023, Xurpas continues to expand and build its business as it takes advantage of the widening of digital adoption or a shift to digitization not just in the country but the world post-pandemic.

Consistent with last year's plans, the Group is maintaining its focus and efforts on IT Staff Augmentation, growing its products and services under custom software development and business solutions and seizing opportunities brought by Web 3.0. In order to achieve these objectives, the Group aligned some strategies to better maximize its competitive advantage. These strategies involve i) geographical -—extending presence beyond the country's borders ii) operational— streamlining its operations and reinforcing marketing efforts with digital marketing and iii) product expansion— focusing on the latest technological advances, including machine learning and artificial intelligence.

1. IT Staff Augmentation: The demand continues to increase for IT staff augmentation year-on-year and is proven by the continuing increase in revenues for 2022 since it was launched. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. This also led to the Group's decision to expand its digital influence geographically to cover other markets in need of their services even beyond the country's borders. In 2023, the Company has announced its plans to establish its presence in Australia, with the aim of introducing its product offerings to larger markets.

2. Custom Software Development: As technology becomes increasingly ingrained in a lot of businesses, the demand to adopt digital transformation has also been increasing for the custom software development business. It has been one of their top priorities as they focus to keep up with these technological changes in order to stay relevant and competitive in the market. The Group has observed an increase in demand for its custom software development in 2022 where revenues substantially increased by 131% from last year. With this, Xurpas will continue to take this opportunity to maximize its expertise in providing these types of services in the market.

3. Digital Business Solutions: As the Company aims to curate a regional marketplace of B2B software services and products, it is targeting to cater the large untapped SME Market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SMEs. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners. Incorporation of Xurpas Software, Inc. is one of the actions being undertaken to fulfill this objective. This will focus on providing business solutions of various technological products and services to different industries from different scales.

4. Web 3.0: This is the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

As for the general and administrative expenses, Xurpas will continuously implement and monitor its cost reduction and containment program that would minimize or ensure efficient use of expenses such as rent, utilities, marketing and promotions, advertising, transportation and travel, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs relating to rent, utilities, and the like.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all its accounts. The Group has some bank debt through Storm Technologies and Seer Technologies Inc. which are short term in nature.

Cashflows

	For the years ended December 31	
	2022	2021
In PhP Millions	Amount	Amount
Net cash used in Operating Activities	(66.12)	(39.21)
Net cash used in Investing Activities	(6.40)	10.71
Net cash provided by Financing Activities	98.55	(3.79)
Effect of foreign currency exchange changes in cash	1.34	0.49
Net increase (decrease) in cash	27.36	(31.79)
Cash at beginning of period	35.95	67.74
Cash at end of period	**63.31**	**35.95**

Cash Flows from Operating Activities

In 2022, operating income before changes in working capital of ₱13.87 million was coupled with the corresponding decrease in working capital resulted in ₱62.11 million net cash used from operations. In consideration of the interest paid and received and income taxes paid, this resulted to a net cash used in operating activities of ₱66.12 million.

Cash Flows from Investing Activities

The Group's net cash used in investing activities for the year 2022 was ₱6.40 million compared to ₱10.71 million provided in 2021. This comprises payments of acquisition of property and equipment and intangible assets during the period.

Cash Flows from Financing Activities

The net cash provided by financing activities in 2022 was ₱98.55 million which increased from net cash used of ₱3.79 million in 2021 The cash provided by financing activities were mainly from the proceeds of the equity infusion that have transpired in the first quarter of 2022 amounting to ₱100.00 million and is slightly decreased by payment of loans and lease liabilities amounting to ₱1.04 million and ₱0.41 million respectively.

Capital Expenditure

The Group's capital expenditures for the year ended December 31, 2022 and 2021 amounted to ₱4.26 million and ₱5.20 million, respectively.

Key Financial Data In PhP Millions	**December 31, 2022 Additions**	**December 31, 2021 Additions**
Right-of-use Assets	-	2.01
Developed software	1.10	0.39
IT Equipment	4.07	2.44
Leasehold Improvements	-	0.32
Office Equipment	0.17	0.03
	5.34	**5.20**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2022	2021	2020
Liquidity Ratios			
Current Ratio	**37%**	26%	31%
Quick Ratio	**34%**	23%	27%
Asset-to-Equity Ratio	**568%**	575%	613%
Profitability Ratios			
Net Loss Margin	**(23%)**	(4%)	(34%)
Gross Margin	**25%**	18%	5%
Operating Margin	**(23%)**	(4%)	(19%)
Return on Total Assets	**(9%)**	(1%)	(9%)
Return on Equity	**(49%)**	(8%)	(53%)
Debt Ratios			
Debt-to-Equity Ratio	**5.97x**	5.82x	6.09x
Interest Coverage Ratio	**(6.61x)**	(2.18x)	(5.92x)

Liquidity Ratios

Current Ratio and Quick Ratio for the year ended December 31, 2022, were 37% and 34%, respectively, an increase from their respective 26% and 23% figures as of December 31, 2021. The increase in both ratios was primarily from the increase of current assets of the Group for that period.

Asset-to-Equity Ratio

There is a decrease in the asset-to-equity ratio from 575% as of December 31, 2021, to 568% as of December 31, 2022 due to a higher increase in equity attributable to parent relative to the increase in assets as of December 31, 2022.

Profitability Ratios

For the year ended December 31, 2022, the Group recorded net loss attributable to equity holders of Xurpas Inc. amounting to ₱54.74 million which resulted to net loss margin, operating margin, return on total assets and return on equity of (23%), (23%), (9%) and (49%). On the other hand, gross margin increased to 25% in 2022 from the 18% gross margin in 2021.

Debt Ratios

Debt to equity ratio on December 31, 2022, increased to 5.97x from 5.82x as of December 31, 2021. The increase in the gearing ratio was attributed to the higher liabilities as of December 31, 2022. Interest coverage ratio for the year 2022, was at negative 6.61x compared to 2.18x in 2021.

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. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.
ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
vii. Seasonality. The Group is not subject to seasonality.

Full year 2021 compared with 2020

The COVID-19 pandemic continued to be a challenge for the country as it widened its transmission in 2021. With the implementation of quarantine measures brought by the fluctuation of daily infections, it continuously affected the flow of mobility and business operations. The situation has been greatly addressed however, by the mass vaccination programs both done by the public and private sectors. This resulted in a generally more stable and predictable economic environment over the year. Companies adjusted to stabilize their operations despite the ongoing pandemic, and adapted new policies, such as work from home (WFH) arrangements, using digital marketing to promote their services, and undergo digitalization of their processes, wherever applicable.

The Group remains optimistic about its opportunities to provide services to companies who want to jumpstart their digital transformation given its high demand. A lot of businesses are transforming to improve business continuity amidst restricted mobility, due to the pandemic. Even as quarantine measures have eased, Xurpas is still convinced that enterprises will go digital or online because this has now become ingrained in consumer behavior.

Xurpas' major contributor to revenues, the IT staff augmentation segment, supports this digital transformation thrust of numerous companies. Its revenues increased from ₱16.14 million in 2020 to ₱90.67 million in 2021, or a 462% increase.

Moving forward, Xurpas will continue to expand and build its enterprise business segment (primarily the IT staff augmentation business) which will be the main component of its growth. The Company's plan is to address the multiple opportunities created by 1) global technology trends, such as Web 3.0, and 2) the acceleration of the digital transformation plans of large and small and medium scale enterprises during the pandemic. In support of this thrust, on January 20, 2022, Nico Jose S. Nolledo, Founder and Chairman, infused equity amounting to ₱100.00 million. The proceeds will be for the expansion of Xurpas' enterprise business, specifically the IT staff augmentation business, employee benefits enhancement, equipment replacement, research and development, and general corporate purposes.

Financial Summary

Key Financial Data In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Other services	51.91	25%	63.77	37%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.01**	**21%**
Cost of Services	158.88	76%	127.19	73%	31.69	25%
Cost of Goods Sold	13.92	7%	38.01	22%	(24.09)	-63%
Gross Profit (Loss)	**37.23**	**18%**	**8.81**	**5%**	**28.41**	**323%**
General and Administrative Expenses	85.25	41%	119.85	69%	(34.60)	-29%
Equity in Net Losses (Earnings) of Associates	0.32	0%	7.75	4%	(7.43)	-96%
Finance Costs and Other Income - net	(19.22)	-9%	(45.25)	-26%	26.02	-58%
Loss Before Income Tax	**(29.12)**	**-14%**	**(73.54)**	**-42%**	**44.42**	**-60%**
Provision for (Benefit from) Income Tax	(2.96)	-1%	(4.72)	-3%	1.76	-37%
Net Loss	**(26.16)**	**-12%**	**(68.82)**	**-40%**	**42.66**	**-62%**
Other Comprehensive Income (Loss)	13.60	6%	36.03	21%	(22.43)	-62%
Total Comprehensive Loss	**(12.56)**	**-6%**	**(32.79)**	**-19%**	**20.23**	**-62%**
	Dec. 31, 2021 Amount		**Dec. 31, 2020 Amount**		**Amount Change**	**% Increase**
Total Assets	605.94		617.06		(11.12)	-2%
Total Liabilities	613.85		612.41		1.44	1%
Total Equity	(7.91)		4.65		(12.56)	-270%

In 2021, the Group generated revenue of ₱210.03 million which was 21% higher than 2020 revenue of ₱174.01 million. Likewise, net loss also went down by 62% from ₱68.82 million in 2020 to ₱26.16 million in 2021. The enterprise segment generated the majority of the revenue with 56% contribution or ₱117.57 million, followed by other revenues and mobile consumer services which generated 25% and 19% respectively. It should be noted that the revenue generated by the enterprise services was significantly higher in 2021 and is aligned with the Group's 2021 directive to focus on expanding this segment due to its demand and potential contribution to the Company's growth.

The aggregate cost of services of the Group increased from ₱127.19 million in 2020 to ₱158.88 million in 2021 or 25% increase. The rise is brought by the increase in salaries and wages and outsourced services parallel to the increase of its corresponding revenue.

The Group's general and administrative expenses (GAEX) went down from ₱119.85 million in 2020 to ₱85.25 million in 2021 or 29% decrease. GAEX in 2020 was higher primarily due to the provision for impairment loss totaling to ₱16.03 million. Other GAEX1items such as salaries and wages, professional fees, rent, utilities, taxes and licenses, advertising, and seminars and training decreased as part of the continuing cost cutting measures implemented by the Company.

The Group recorded a 96% decline for the equity in net losses of associates, from ₱7.75 million in 2020 to an equity in net loss of ₱0.32 million in 2021. The finance costs and other income charges (net) incurred by the Group were ₱19.22 million and ₱45.25 million in 2021 and 2020, respectively. Lower finance cost was mainly due to lower interest expense paid for outstanding loans from local banks and non-banks. For the other income, there was also a decrease in this account due to the absence of penalties earned from late payment of customers, gain on sale of a subsidiary and foreign exchange gain which was present in 2020.

In 2021, the Group reported a benefit from income tax amounting to ₱2.96 million as compared to last year wherein the Group recognized ₱4.72 million benefit from income tax.

The total comprehensive loss of the Group was ₱12.56 million in 2021, which was 62% lower than the 2020 figure of ₱32.79 million.

The Group's total assets in 2021 amounted to ₱605.94 million, a minimal decrease of 2% from 2020 recorded total assets of ₱617.06 million. The decline in assets was mostly due to lower current assets, namely, cash. Total liabilities, however, increased from ₱612.4 million in 2020 to ₱613.85 million as a result mainly of higher accounts and other payables. Lastly, the Group's total equity went down from ₱4.65 million in 2020 to a capital deficiency of ₱7.91 million in 2021 contributed by total comprehensive loss incurred by the end of the year.

Segment Financial Performance

For the year ended December 31, 2021 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	40.55	153.62	27.27	(36.05)	185.39
Revenue from sale of goods	-	-	24.64	-	24.64
Total Service Revenues	**40.55**	**153.62**	**51.91**	**(36.05)**	**210.03**
Operating expenses	54.34	178.16	73.19	(47.64)	258.05
Equity in net earnings of associates	-	-	-	0.32	0.32
Other charges (income) - net	(24.56)	5.83	(0.47)	(0.02)	(19.22)
Total Expenses	**29.78**	**183.99**	**72.72**	**(47.34)**	**239.15**
Operating Income (Loss)	**10.77**	**(30.37)**	**(20.81)**	**11.29**	**(29.12)**
Benefit from (provision for) income tax	0.24	2.76	(0.04)	-	2.96
Net Income (Loss)	**11.01**	**(27.61)**	**(20.85)**	**11.29**	**(26.16)**

In 2021, the mobile consumer services posted revenue, operating income, and net income of ₱40.55 million, ₱10.77 million and ₱11.01 million respectively. The net income earned by the mobile consumer segment was mainly attributable to the gain on derecognition of long-outstanding payables of AOC amounting to ₱16.91 million.

Enterprise services had an operating loss and net loss of ₱30.37 million and ₱27.61 million, respectively, from revenues of ₱153.62 million. Likewise, the other services segment did not have a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2021, compared with the twelve-month period ended December 31, 2020.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2021, amounted to ₱210.03 million, an increase of 21% from ₱174.01 million for the year ended December 31, 2020.

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

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	● Xurpas Parent Company
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate	● Seer ● Xurpas Enterprise

	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	• Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods; subscriptions offering HMO and other pre-need employee benefits to small teams and freelancers.	• Storm Technologies • AllCare

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	117.57	56%	88.24	51%	29.33	33%
Mobile consumer services	40.55	19%	22.00	13%	18.55	84%
Other services	51.91	25%	63.77	36%	(11.86)	-19%
Total Revenues	**210.03**	**100%**	**174.01**	**100%**	**36.02**	**21%**

Revenues from enterprise services, which accounted for 56% of total revenues, generated the highest percentage of the total revenues at ₱117.57 million. This is mainly driven by the Group's focus on staff augmentation services which resulted in a substantial growth in revenues amounting to ₱90.67 million in 2021 as compared to the ₱16.14 million in 2020 or a 462% increase. Other services generated ₱51.91 million or 25% of the total revenue. This figure was 19% lower than 2020 revenue of ₱63.77 million. Despite the decrease brought by the slowdown of the Storm marketplace, this was offset by AllCare, which generated an impressive increase in revenues of 203%, from ₱8.70 million in 2020 to ₱26.35 million in 2021. Lastly, mobile consumer services, on the other hand, generated ₱40.55 million or 19% of the total revenue. This figure was an 84% increase from 2020 revenues pertaining to this segment.

Expenses

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	158.88	62%	127.19	45%	31.69	25%
Cost of Goods Sold	13.92	5%	38.01	13%	(24.09)	-63%
General and Administrative Expenses	85.25	33%	119.85	42%	(34.60)	-29%
Total Expenses	**258.05**	**100%**	**285.05**	**100%**	**(27.00)**	**-9%**

The Group's consolidated expenses in 2021 amounted to ₱258.05 million, a 9% decrease from previous year's ₱285.05 million. Bulk of the expenses came from cost of services and GAEX which contributed 62% and 33% respectively, followed by COGS at 5%. Decline in overall expenses was a result of the company's continuing cost reduction efforts.

Cost of Services

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	91.27	57%	70.50	56%	20.77	29%
Outsourced services	35.47	23%	19.25	15%	16.23	84%
Outside services	16.67	10%	5.37	4%	11.30	210%
Depreciation and amortization	7.41	5%	22.73	18%	(15.32)	-67%
Others	8.06	5%	9.34	7%	(1.28)	-14%
Total Expenses	**158.88**	**100%**	**127.19**	**100%**	**31.69**	**25%**

Cost of Services in 2021 was ₱158.88 million, a 25% increase from previous year's figure of ₱127.19 million. It is primarily composed of salaries and wages which incurred expenses of ₱91.27 million (57%), outsourced services amounting to ₱35.47 million (23%) and outside services from benefit claims and membership fees of AllCare amounting to ₱16.67 million (10%). All of them increased from last year as the Group upscaled its manpower for its staff augmentation business and also due to the substantial increase in revenue for AllCare. Other expenses, however, decreased by 14% compared with the prior year. Depreciation and amortization also declined in 2021 by 67% due to increase of assets that were already fully depreciated beginning 2021.

Cost of Goods Sold (COGS)

Cost of goods sold made up 5% of the Group's total consolidated expenses. This figure decreased by 63% from its 2020 level of ₱38.01 million to ₱13.93 million in 2021. The COGS is directly attributable to the flex benefits operations of Storm Technologies and lower revenue was generated from this in 2021.

General and Administrative Expenses (GAEX)

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	31.46	37%	39.62	33%	(8.16)	-21%
Professional fees	15.78	19%	24.06	20%	(8.28)	-34%
Marketing and promotions	4.57	5%	3.20	3%	1.37	43%
Transportation and travel	3.29	4%	2.69	2%	0.60	22%
Others	30.15	35%	50.28	42%	(20.13)	-40%
Total Expenses	**85.25**	**100%**	**119.85**	**100%**	**(34.60)**	**-29%**

In 2021, the GAEX of the Group's operations amounted to ₱85.25 million, which was lower than the GAEX posted in 2020 which amounted to ₱119.85 million. Expenses such as salaries and wages, professional fees and other GAEX decreased as part of the cost cutting measures implemented by the Company. Marketing and promotions and transportation and travel, on the other hand, increased in 2021 due to the increased efforts to promote its services which materialized to the increase in 2021 revenues and the loosening of the strict travel protocols in the year, respectively.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the period ended December 31, 2021, amounted to ₱0.32 million which is 96% lower than in 2020. The Group's associates, particularly Altitude and MicroBenefits, recognized lower net losses in 2021.

Finance Costs

The Group posted finance costs of ₱9.98 million in 2020 and ₱9.15 million in 2021. The 8% decrease was a result of lower interests paid to loans borrowed from local banks and non-banks.

Other Income – net

As of December 31, 2021, the Group recorded other income of ₱28.37 million as compared to ₱55.23 million other charges posted in 2020. Higher other income was generated in 2020 due to penalties earned from late payments of customers and gain on sale of a subsidiary (CTX).

Loss before Income Tax

The Group's loss before income taxes for the year ended December 31, 2021, was ₱29.12 million, a 60% decrease from previous year's ₱73.54 million.

Benefit from Income Tax

In 2021, the Group reported benefit from income tax amounting to ₱2.96 million as compared to last year's ₱4.72 million. The benefit from income tax posted in 2020 mainly pertains to the tax effect of the amortization of intangible assets acquired through business combinations. These assets were written off in 2020 resulting in lower benefit from income tax in 2021.

Net Loss

The Group posted a consolidated net loss of ₱26.16 million in 2021, a 62% decrease from the previous year's net loss of ₱68.82 million.

Other Comprehensive Income

In 2021, the Group's other comprehensive income decreased to ₱13.60 million from the 2020 figure of ₱36.03 million. The decrease was rooted from the loss resulting from the cumulative translation adjustment and share in other comprehensive loss of an associate due to cumulative translation adjustment.

Total Comprehensive Loss

The Group's total comprehensive loss decreased by 62% in 2021 (from ₱32.79 million in 2020 to ₱12.56 million in 2021).

<u>Financial Position</u>

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

<u>Assets</u>

Cash

The Group's consolidated cash amounted to ₱35.95 million as of December 31, 2021, a net decrease of 47% or ₱31.79 million from consolidated cash of ₱67.74 million as of December 31, 2020. The movements in the Group's cash will be explained further in the cash flow discussion.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱66.54 million and ₱70.29 million as of December 31, 2021, and 2020, respectively. The decrease was generally the result of lower trade receivables and higher allowance for impairment loss (from ₱22.34 million in 2020 to ₱23.21 million in 2021).

Contract Assets

As of December 31, 2021, contract assets amounted to ₱29.76 million or 496% higher than the 2020 figure of ₱5.00 million. The increment mainly pertains to services rendered under the staff augmentation business which are yet to be billed as of year-end. These are to be billed and collected in 2022.

Other Current Assets

The Group's consolidated other current assets in 2021 totaled ₱21.09 million, an 8% decrease from 2020 figure of ₱22.80 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Financial Assets at FVOCI

As of December 31, 2021, and 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.60 million and ₱0.50 million, respectively.

Investment in and Advances to Associates

In 2021, the Group's consolidated investment in associates amounted to ₱336.22 million, a decrease of ₱4.33 million compared to the 2020 figure of ₱340.55 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱273.69 million), Altitude Games Pte. Ltd. (₱21.22 million), and SDI (₱19.22 million).

Property and Equipment

The Group's consolidated property and equipment was ₱4.66 million as of December 31, 2021. It increased by ₱0.41 million or 10% as compared to 2020 which amounted to ₱4.25 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment. The Group made minimal additions during the year as part of its cost cutting measures.

Right-of-use (ROU) Asset

The Group recognized a right-of-use asset for its new office space in Antel for a total amount of ₱1.17 million. Depreciation expense in relation to this asset amounted to ₱0.84 million.

Intangible Assets

As of December 31, 2021, intangible assets amounted to ₱88.51 million, a 1% increase from 2020 balance of ₱87.84 million. The components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2021, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2021, net book value of developed software was ₱7.14 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱0.39 million and (2) Amortization during the year amounting to ₱7.41 million
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2021, which amounted to ₱33.15 million. During the year, the Group sold half of each cryptocurrency with a total cost of ₱2.04 million and accumulated revaluation gain of ₱11.58 million. The increase in market value of the remaining cryptocurrencies, on the other hand, resulted in ₱21.32 million revaluation gain.

Other Noncurrent Assets

In 2021, other noncurrent assets amounted to ₱21.43 million which increased by 18% from the previous year's figure of ₱18.10 million. During the year, the Group reclassified a substantial amount of its deferred input VAT and creditable withholding tax from other current assets to other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables were valued at ₱381.70 million as of December 31, 2021. It increased by ₱8.16 million or 2% from 2020 balance of ₱373.54 million mainly due to the increase in payable to third parties and non-trade payables of ODX.

Advances from Stockholders

This account pertains to loan agreements entered into by Xurpas with its founders. Details are as follows:

- In 2017, the Parent Company entered into a loan agreement with its founders amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. As of December 31, 2021, outstanding loans payable amounted to ₱94.26 million.
- On April 29, 2019, the Parent Company entered into a loan agreement with its founders amounting to ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. As of December 31, 2021, outstanding loans payable amounted to ₱49.30 million. This particular loan was reclassified from non-current liability in 2020 to current liability in 2021 as this falls due in 2022. Both parties are working on a term extension of the loans.

Loans Payable

The Group recorded ₱29.73 million worth of current loans (short term and interest bearing) as of December 31, 2021. This was an ₱11.98 million decrease from 2020 loan payable of ₱41.71 million. The loans pertain to that of Storm Technologies and Seer Technologies.

Contract Liabilities

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

In 2021 and 2020, the Group's contract liabilities were ₱25.76 million and ₱32.26 million respectively.

Current Portion of Lease Liability

The Group recognized a lease liability for its new office space in Antel. Current portion of the lease liability as of December 31, 2021 amounted to ₱1.02 million.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders. As of December 31, 2021, balance of this account is nil due to its reclassification to current liability.

Loan payable - net of current portion

This account pertains to the loan agreement entered by Storm with its lender. The former entered into a loan restructuring agreement with its lender to modify payment terms of its outstanding obligation with an aggregate amount of 17.32 million as of the date of modification. Revised payment terms include noninterest bearing monthly installments over one (l) to five (5) years. Remaining non-current portion of the loan as of December 31, 2021 is ₱9.07 million.

Lease liability

The Group recognized a lease liability for its new office space in Antel. Non-current portion of the lease liability as of December 31, 2021 amounted to ₱0.17 million.

Deferred tax liability

Deferred tax liability as of December 31, 2021 amounted to ₱4,266 which pertains to the deferred tax on Xurpas' lease liability.

Pension Liability

The accrued pension of the Group was ₱22.83 million in 2021 compared to ₱26.82 million as of December 31, 2020, or a 15% decrease.

Equity

Total Equity

As of December 31, 2021, the Group's total equity was at a negative ₱7.91 million, a 270% decrease from 2020 equity of ₱4.65 million. Lower equity was mainly due to the increase in deficit brought about by the incurred total comprehensive loss of the Group.

Outlook for 2022

As the battle with COVID 19 enters its third year, challenges were encountered at the start of the year due to the high level of cases brought by the Omicron variant which resulted in stricter quarantine restrictions from the end of 2021. Taking into account, however, the high percentage of vaccinated in the country and considering the mild cases brought by the variant, cases eventually dropped by mid-February 2022. This paved the way for the country to reopen its borders, ease restrictions and slowly step into the new normal path to economic recovery.

Aligned with the country's steps to recover and grow economically in 2022, Xurpas continues to expand and build its enterprise business segment which will primarily contribute to its growth. This is to address the multiple opportunities created by 1) global technology trends and 2) the acceleration of the digital transformation plans of large and small and medium scale enterprises during the pandemic. A lot of businesses are going digital or online to improve business continuity amidst restricted mobility, due to the pandemic. Even as quarantine measures have eased, Xurpas is still convinced that enterprises will go digital or online because this has now become ingrained in consumer behavior.

With this, Xurpas continues to strengthen its enterprise services business, focusing on the following: IT staff augmentation, growing its services under business solutions and seizing the opportunities brought by Web 3.0.

1. **IT Staff Augmentation:** Since the demand remains strong for IT staff augmentation, evidenced by the continuing increase in revenue for 2021, the Company will build and augment its current business by vigorously seeking new clients while at the same time maintaining and growing its business relationships with its existing long-term clients. The Company believes that the increased requirements of both private companies and public entities for digital transformation, especially in a post COVID environment, creates multiple opportunities for its enterprise business. The staff augmentation business of Xurpas increased by 194%, from ₱7.93 million in 1Q2021 to ₱23.30 million in 1Q2022.

2. **Digital Business Solutions**: Xurpas also plans to expand its digital business solutions service and product offering, catering to the large untapped SME market. Xurpas will help these companies enable their digital transformations by providing tools and solutions to address their business needs in financial, production/manufacturing, people, marketing, sales, and customer management. These products will provide similar functionalities and benefits as global brands used by multinationals and large local companies, but will be offered at a significantly lower-cost, to accommodate the budgets of local SME's. These SMEs comprise a large percentage of the market. Xurpas shall implement this with a curated technology platform and an ecosystem of partners.

3. **Web 3.0:** This the third generation of web services and the next stage in the evolution of the internet. Web 3.0 will largely be built on three new layers of emerging technologies – edge computing infrastructure (superfast 5G data speeds), decentralized data infrastructure (data formats and software that are open, coupled with the advancements in blockchain technology) and Artificial Intelligence or AI driven services (expanding capabilities of AI and machine learning or ML). Xurpas shall leverage its existing global network going into Web 3.0 and shall tap the massive opportunity it offers for staff augmentation and custom development work.

As for the general and administrative expenses, Xurpas will continuously implement and monitor its cost reduction and containment program that would minimize or ensure efficient use of expenses such as rent, utilities, marketing and promotions, advertising, transportation and travel, advertising, and seminars and trainings. The current WFH arrangement of Xurpas provides another opportunity for Xurpas to further cut costs relating to rent, utilities, and the like. These actions are expected to contribute to the Group's financial improvement in 2022.

Liquidity and Capital Resources

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

Cash Flows

	For the year ended December 31	
	2021	2020
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(39.21)	(74.42)
Net cash provided by (used in) Investing Activities	10.71	(2.42)
Net cash used in Financing Activities	(3.79)	(12.53)
Effect of foreign currency exchange changes in cash	0.49	3.19
Net increase (decrease) in cash	(31.79)	(86.19)
Cash at beginning of period	67.74	153.93
Cash at end of period	**35.95**	**67.74**

Cash Flows from Operating Activities

For the year ended December 31, 2021, operating income before changes in working capital of ₱11.65 million coupled with the corresponding changes in trade receivables, other current assets, contract assets, trade payables and contract liability resulted in ₱34.38 million cash used in operations. Together with interest received, interest paid, and income taxes paid, net cash used in operating activities totaled ₱39.21 million.

Cash Flows from Investing Activities

Net cash provided by investing activities in 2021 was ₱10.71 million while cash used in investing activities in 2020 amounted to ₱2.42 million. The net cash provided for this year is mainly attributed to the proceeds from sale of cryptocurrencies amounting to ₱13.62 million.

Cash Flows from Financing Activities

The consolidated net cash used in financing activities for the year 2021 was ₱3.79 million while net cash used in financing activities for the year 2020 was ₱12.53 million. Net cash was mainly used to pay off loan payables and a portion of lease liabilities.

Capital Expenditure

The Group's capital expenditures amounted to ₱5.20 million and ₱1.33 million in 2021 and 2020, respectively.

Key Financial Data In PhP Millions	December 31, 2021 Additions	December 31, 2020 Additions
Right-of-use Assets	2.01	-
Developed software	0.39	0.10
IT Equipment	2.44	1.17
Leasehold Improvements	0.32	-
Office Equipment	0.03	0.07
	5.20	**1.33**

Key Performance Indicators

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

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

In Percentage	For the years ended December 31		
	2021	2020	2019
Liquidity Ratios			
Current Ratio	**26%**	31%	41%
Quick Ratio	**23%**	27%	33%
Asset-to-Equity Ratio	**575%**	613%	575%
Profitability Ratios			
Net Loss Margin	**-4%**	-34%	-271%
Gross Margin	**18%**	5%	15%
Operating Margin	**-4%**	-19%	-256%
Return on Total Assets	**-1%**	-9%	-93%
Return on Equity	**-8%**	-53%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.82x**	6.09x	5.55x
Interest Coverage Ratio	**-2.18x**	-5.92x	-64.75x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 26% and 23% in 2021 and 31% and 27% in 2020, respectively. The decrease in both ratios was mainly due to the decline in current assets and increase in current liabilities.

Asset-to-Equity Ratio

In 2021, the Asset-to-Equity ratio of the Group decreased to 575% from 613% of 2020. The decrease was mostly because of the increase in deficit, reducing total equity and concurrent decrease in assets in 2021.

Profitability Ratios

The lower net loss incurred significantly improved the Group's profitable ratios in 2021. Net loss margin, operating margin, return on total assets and return on equity went down to -4%, -4%, -1% and -8%, in 2021 respectively. Alongside with this, Gross margin also improved substantially by 260% from 2020 ratio of 5% to 18% in 2021.

Debt Ratios

For 2021, the Debt-to-Equity ratio decreased from 6.09x in 2020 to 5.82x which can be attributed to lower total equity due to recurring net loss posted by the Group. The interest coverage ratio improved in 2021 to -2.18x from -5.92x in 2020.

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

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

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material 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.

i. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2021 are being addressed through the following: developing aggressive lead generation via digital marketing; forging alliances to enhance distribution and cross selling opportunities; and capitalizing the ongoing expansion in the IT staff augmentation segment.

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

iii. Seasonality. The Group is not subject to the seasonality of revenue realization. With the current revenue trends in Storm, the seasonality is not apparent.

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ITEM 7. Financial Statements

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

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

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

Independent Public Accountants, External Audit Fees and Services

The consolidated financial statements of the Group as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were audited by SGV & Co., independent auditors, in accordance with Philippine Standards on Auditing (PSA).

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

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

The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2.94 million and ₱2.93 million for 2022 and 2021, respectively. The audit fees for 2023 are estimated to be at ₱3.23 million. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns. Non-audit fees for Xurpas, which is already included in the aggregate amount above, totaled to ₱0.16 million in 2021.

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

ITEM 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Board is composed of eight (8) members, three 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, 2022, the composition of the Company's Board is as follows:

Name	Age	Citizenship	Position	Date/Year Position was Assumed
Jonathan Gerard A. Gurango	64	Filipino	Chairman and Chief Executive Officer	June 6, 2022
Alexander D. Corpuz	56	Filipino	Director, President, Chief Information Officer and Chief Finance Officer	February 1, 2019
Fernando Jude F. Garcia	49	Filipino	Director, Treasurer and Chief Technology Officer	November 26, 2001
Mercedita S. Nolledo	82	Filipino	Director	November 26, 2001
Wilfredo O. Racaza	74	Filipino	Director	November 26, 2001
Imelda C. Tiongson	57	Filipino	Independent Director	May 7, 2020
Bartolome S. Silayan, Jr.	56	Filipino	Independent Director	May 7, 2020
Christopher P. Monterola	46	Filipino	Independent Director	November 14, 2022

Each of the Company's directors was elected to the Board during the Company's annual stockholders' meeting held on August 9, 2022. 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, 2022:

Name	Age	Citizenship	Position
Mark S. Gorriceta	45	Filipino	Corporate Secretary and Chief Legal Officer
Angela J. Along	45	Filipino	Chief Legal Officer and Chief Risk Officer
Jose Vicente T. Colayco	53	Filipino	Chief Operating Officer

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

Jonathan Gerard A. Gurango, 64, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango was appointed as the Chairman of the Board and the Chief Executive Officer of the Corporation effective June 6, 2022. 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. After leading Gurango Software into the most successful Microsoft Dynamics partner in the Philippines, he co-founded several software start-ups and was the President of the Philippine Software Industry Association until 2014. He is presently the Chairman of the Capiz ICT Council, and a director of SERVIO Technologies, Kation Technologies, The Digital Business Training Center Inc., TendoPay, The Parent Inc. and Mijares-Gurango Craniofacial Foundation. 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.

Alexander D. Corpuz, Filipino, 56, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 31 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 49, has been the Chief Technology Officer and Director of the Corporation since November 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 74, has been a Director of the Corporation since November 2001. Mr. Racaza has 49 years of marketing and finance experience under his belt. He worked with Mobil Oil Philippines for 15 years developing New Business through Resale Outlets and servicing Direct Commercial Consumers Accounts. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent top agency sales awards. He has been a consistent awardee at GAMA Philippines (General Agents and Managers Association) 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. He is a CPA (Certified Public Accountant).

Mercedita S. Nolledo, 82, Filipino, has been a Director of the Corporation since November 2001. Atty. Nolledo is currently a director of the Ayala Corporation, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc., and a member of the Advisory Board of Ayala Land, Inc. and Bank of the Philippine Islands. 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.

Imelda C. Tiongson, 57, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. and she also sits in several Boards as Independent Director namely Chairperson of Prulife UK Ph, Seedin Technologies Inc., Alipay Philippines. She is also part of the Bangko Sentral ng Pilipinas Open Finance Oversight Committee Transition Group representing the Fintech Industry. In addition, she is also involved in several advocacy organizations; Trustee of the Institute of Corporate Directors (ICD), Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Womenbiz Ph. She is also a lecturer of various organizations namely; ICD and Ateneo Graduate School of Business - Center for Continuing Education. She previously held senior executive positions in National Australia Bank and Philippine National Bank with an aggregate total of 22 years. Ms. Tiongson also participated in the Technical working groups which drafted several digital/fintech related laws, the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010. Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 56, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Christopher P. Monterola, 46, Filipino, has been an independent director of the Corporation since November 2022. He is currently the Head, Professor, and Aboitiz Chair in Data Science of the Aboitiz School of Innovation, Technology, and Entrepreneurship. He is also the Executive Managing Director and Principal Scientist of the Analytics, Computing, and Complex Systems Laboratory at the Asian Institute of Management and an Academician at the National Academy of Science and Technology.

Mark S. Gorriceta, 45, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was the Chief Compliance Officer of the Corporation from 2018 to October 12, 2022. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Jose Vicente T. Colayco, 53, Filipino, joined Xurpas in 2011 and is currently the Chief Operating Officer of the Company. Prior to this, he also served as the Chief Business Development Officer and Treasurer of the Company. Before joining Xurpas, Mr. Colayco was the co-founder and co-managing director of Digital Storm, Inc., a developer of online casual game platforms. He was a Managing Director 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. Before that, he was 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.

Angela Sigrid J. Along, 45, Filipino, is currently the Chief Compliance Officer and Chief Risk Officer of the Company. She joined the Company in December 2020 as Xurpas Group's general legal counsel. She was previously the Chief Corporate Attorney of the Metropolitan Waterworks and Sewerage System, a lawyer at the Department of Environment and Natural Resources, and has held various legal positions in Singapore and Myanmar. She graduated from the University of the Philippines Diliman with a Bachelor of Arts Degree in Communication Research in 1999 and Bachelor of Laws in 2005. She also holds a Masters in Law from the Singapore Management University.

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

Atty. Mercedita S. Nolledo's son, Mr. Nico Jose S. Nolledo, is a principal shareholder of the Company.

Mr. Wilfredo O. Racaza's son, Mr. Raymond Gerard S. Racaza, is a principal shareholder of the Company.

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

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which any of its directors or executive officers is a party.

ITEM 10. Executive Compensation

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 Chief Executive Officer, and top five (5) most highly compensated officers of the Company for the past five (5) years:

Name	Position	Estimated Salary	Bonus	Other	Total
Jonathan Gerard A. Gurango	Chief Executive Officer				
Alexander D. Corpuz	President, Chief Finance Officer & Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				
Jose Vicente T. Colayco	Chief Operating Officer				

Total	2023 (Projected)	₱21,566,641.00	N/A	N/A	₱21,566,641.00
	2022	₱15,185,001.00	N/A	N/A	₱15,185,001.00
	2021	₱8,790,358.00	N/A	N/A	₱8,790,358.00
	2020	₱8,790,358.00	N/A	N/A	₱8,790,358.00

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 Php20,000.00 for every meeting attended, while the Chairman is entitled to a per diem of Php25,000 for every meeting, 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.

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, 2023, 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** Principal Shareholder	Nico Jose S. Nolledo	Filipino	504,044,804 (Direct and Indirect)	24.53%
Common	**Raymond Gerard S. Racaza** Principal Shareholder	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	18.29%
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer, Treasurer, Principal Shareholder	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	18.26%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[3]	Filipino	540,150,330 (Direct)	26.29%
Common	**PCD Nominee Corp.**	PCD participants acting for themselves and for their customers[4]	Non-Filipino	254,534,295 (Direct)	12.39%

As of March 31, 2023, 13.88% of the outstanding shares of the Company are held by non-Filipino.

[3] 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.
[4] Id.

Security ownership of directors and management as of March 31, 2023

As of March 31, 2023, 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	**Jonathan Gerard A. Gurango** Chairman and Chief Executive Officer	Filipino	169,399 (Direct)	0.00%
Common	**Alexander D. Corpuz** Director, President and Chief Information Officer	Filipino	1,000 (Direct)	0.00%
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	18.26%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.12%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil
Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Common	**Christopher P. Monterola** Independent Director	Filipino	1,000,000	0.05%
Total (Directors and Officers as a Group)			**378,626,757**	**18.43%**

Voting Trust Holders of 5% or More

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

Changes in Control

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

ITEM 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

ITEM 13. Corporate Governance.

Pursuant to SEC Memorandum Circular No. 20 (Series of 2016), the Annual Corporate Governance Report (ACGR) for 2016 is no longer required to be attached herein. Further, pursuant to SEC Memorandum Circular No. 15 (Series of 2017), companies listed in the Philippine Stock Exchange by 31 December of a given year shall submit a fully accomplished I-ACGR on May 30 of the following year. Accordingly, the Company submitted its I-ACGR on May 29, 2019. You may refer to the Company's website for its Manual on Corporate Governance and its ACGR.

ITEM 14.

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Xurpas Inc.
Location of Headquarters	Unit 804 Antel 2000 Corporate Center 121 Valero St., Salcedo Village, Makati City
Location of Operations	Salcedo Village, Makati City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Xurpas Inc. and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication
Reporting Period	December 31, 2022
Highest Ranking Person responsible for this report	Alexander D. Corpuz

BRIEF ON THE COMPANY

Xurpas Inc. is a Filipino owned corporation originally founded in 2001 to create and develop digital products and services for mobile end-users. Over the years, the Company has expanded its services to platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes Information Technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and application development.

In December 2014, Xurpas was listed in the Philippine Stock Exchange (PSE:X).

The company's operation is supported by a diverse group of talented employees wherein a mechanism for employee participation was developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance process.

MISSION: To make world class Filipino technology products, and to put our country on the world technology map.

VISION: To become the biggest, most trusted IT solutions company in the Philippines.

MATERIALITY ASSESSMENT AND REPORTING PRACTICES

Given the need to operate in a sustainable manner, the Company aims to contribute positively in terms of its economic, environmental and social impacts. The material topics included in this report are limited to the operational matters which have direct and significant effects in relation to the Company's sustainability and the interest of its identified stakeholders (shareholders, employees, customers and suppliers).

As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. With its expanding digital footprint, it promotes sustainability not just in its operations but also for society at large. The company is driven to contribute towards the economic and social aspects of sustainability by providing digital products and services produced by its empowered workforce.

This Sustainability Report has been prepared in reference to the globally accepted framework report namely, the Global Reporting Initiative (GRI) standards. The GRI standard covers the economic, environment and social impacts. Aside from that, this report identifies how the Company's operations contribute to the UN Sustainable Development Goals.

Economic disclosures pertain to the way in which the company utilizes its resources to contribute to the economy. It looks into the direct economic value of the company, climate related risks and opportunities, procurement practices and anti-corruption practices. Environmental disclosures, on the other hand, pertains to the management of natural resources (energy, water, and materials conservation) and how the negative impacts of operations to the environment is minimized. Lastly, the Social disclosures talks about the Company's relationship with its stakeholders such as employees and customers. It talks about topics such as diversity of manpower complement, the benefits and trainings offered to the employees and the overall workplace environment. Aside from that, it also discusses topics such as customer management and data privacy/security.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	266,701,394	Php
Direct economic value distributed:		
a. Operating costs	56,647,434	Php
b. Employee wages and benefits	157,703,272	Php
c. Payments to suppliers, other operating costs	159,781,770	Php
d. Dividends given to stockholders and interest payments to loan providers	9,656,719	Php
e. Taxes given to government	5,796,215	Php
f. Investments to community (e.g. donations, CSR)	80,000	Php
Direct economic value retained:	(122,964,016)	Php

What is the impact and where does it occur? What is the organization's involvement in the impact	Which stakeholders are affected?	Management Approach
The Economic Performance of the Company impacts the business as a whole. Being profitable and having healthy liquidity stance result to strong business operations and provides opportunities for expansion and growth.	All stakeholders	As can be measured through its annual reports and financial statements, the Company assures all stakeholders to provide quality services for customers through continuous research and development that bring forth positive economic performance.
What are the Risk/s Identified?		
Internal Risks: Loss of customers, management risk, and financial risk **External Risks:** Regulatory risks, Stiff competition in the IT industry, and product obsolescence brought about by ever changing and upgrade of various technology solutions		To address these risks, Xurpas banks on the quality services that it provides its customers backed up by its management expertise and technological know-how.
What are the Opportunity/ies Identified?		
The pandemic that the world faces presently brings about realization on the importance of digital transformation across all businesses regardless of size. Limiting people's movement to their respective homes brought about a big demand for goods and services to become available online. Hence, the increase for the demand of digital transformation.		The continuous relationship building to its clientele base (new and existing) and other technology company opens up opportunities to grow the business not only in the local market but the international market as well. Also, these relationships provide information of relevant trends that may improve the offered services that may result to increased economic performance.

Climate-related risks and opportunities

Governance	Strategy	Risk Management	Metrics and Targets
The Company, as of date, does not have governance around climate-related risks and opportunities. Nevertheless, it strives to do implement sustainability in the organization whenever applicable.	Not Applicable	Not Applicable	Not Applicable
Recommended Disclosures			
The Board, as of date, does not oversee climate-related risks and opportunities.	Not Applicable	Not Applicable	Not Applicable
The Management, as of date, does not have any process for managing climate-related risks.	Not Applicable	Not Applicable	Not Applicable
	Not Applicable	Not Applicable	Not Applicable

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	86.77	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company recognizes the importance of interdependence of businesses such as the suppliers and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.	Suppliers	The Company prefers to avail of goods and services locally due to its availability and lower cost. It also provides economic development to the suppliers.
What are the Risk/s Identified?		
Concentration risk that may result to shortage of supplies.		Having a diverse supplier base mitigates risk of shortage in supplies.
What are the Opportunity/ies Identified?		

Having good relationship with suppliers mutually benefits the Company and the supplier. This relationship may lead to an opportunity where Xurpas becomes a preferred customer and may have certain privileges offered by the supplier.		The Company continues to support local suppliers and be a credible customer by making timely payments for the goods and services provided.

<u>Anti-corruption</u>

<u>Training on Anti-corruption Policies and Procedures</u>

Disclosure	**Quantity**	**Units**
Percentage of employees to whom the organization's anticorruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	-	%
Percentage of directors and management that have received anti-corruption training	-	%
Percentage of employees that have received anti-corruption training	–	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The Company through its BOD and employees are duty-bound to apply high ethical standards, taking into account the interest of all stakeholders. This results to positive and trustworthy image for the Company.	All Stakeholders	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties in the company's website.
What are the Risk/s Identified?		
The organization's employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.	Employees	
What are the Opportunity/ies Identified?		
Being regarded as an honest and professional business partner would strengthen relationships to customers and suppliers. This will help the company sustain its operations in the long run and support future plans for growth.	All Stakeholders	

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	-	#
Number of incidents in which employees were dismissed or disciplined for corruption	-	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Incidents of Corruption inside and outside the Company has a negative impact for the overall business operation and is not tolerated as a way of practice.	Employees	The Company has established anti-corruption policy available to all stakeholders The Company expects everyone involved in the business to act in good faith at all times. For violations of this policy committed by employees, the Human Resources Department shall monitor, evaluate and impose the necessary penalties in the company's website. *https://xurpasgroup.com/policies/*
What are the Risk/s Identified?		
Employees are exposed to the risk of seeking financial and material advantages from its dealings with clients, suppliers, and the government.		
What are the Opportunity/ies Identified?		
Having no incidents of corruption and promoting an honest business environment for all stakeholders can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.	All Stakeholders	

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	-	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	-	GJ
Energy consumption (electricity)	17,499.40	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	–	GJ
Energy reduction (LPG)	–	GJ
Energy reduction (diesel)	–	GJ
Energy reduction (electricity)	–	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Reduction of energy consumption is being encouraged throughout the Company as it reduce utility expenses at the same time help the environment. Reducing energy consumption is seen to be a solution to minimize the emission of greenhouse gases in the atmosphere causing climate change.	Employees	As part of the Company's initiative to minimize expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged conserve energy whenever possible (e.g. making sure that lights and aircon in the conference rooms are turned off when not in use).
What are the Risk/s Identified?		
Instability of prices for fuel and other energy resources.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over. Hence, employees are encouraged conserve energy whenever possible.
What are the Opportunity/ies Identified?		
Given the work from home set up, the Company is able to reduce energy consumption in the office. The savings on electricity can be utilized for business expansion or projects involving employee welfare.	Stockholders and Employees	Employees are encouraged to save electricity whenever possible either in the office or at their own homes.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	-	Cubic meters
Water consumption	49.00	Cubic meters
Water recycled and reused	-	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Like energy conservation, the Company encourages its employees to be mindful of their water consumption as it results to lower utility costs. Managing water resource properly maintains healthy aquatic environment, minimize water pollution and protects drinking water resources, etc.	Employees and Community	As part of the Company's initiative to minimize the expenses, employees are expected to act responsible and professionally in terms of incurring expenses. Employees are encouraged to be mindful in using water (e.g. All water faucets in the office should be turned off when not in use).
What are the Risk/s Identified?		
Shortage of water supply brought about by natural occurrence namely, drought.	Suppliers and Employees	Given that the identified risk is an external factor in which the Company does not have control over, the management encourages mindfulness to its employees in water usage.
What are the Opportunity/ies Identified?		
Given the work from home set up, the Company is able to reduce energy consumption in the office. The savings on water consumption can be utilized for business expansion or projects involving employee welfare.	Stockholders and Employees	Employees are encouraged to conserve water whenever possible either in the office or at their own homes.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	–	
Renewable	–	kg/liters
Non-renewable	–	kg/liters
Percentage of recycled input materials used to manufacture the organization’s primary products and services	–	%

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company is engaged in software development and other IT solutions thus the main operations don’t usually consume materials that may affect the services’ pricing and availability.	Customers and Suppliers	The Company ensures that its systems (hardware and software) are upgraded and in good condition. It also encourages recycling habits for other departments who utilizes consumable materials such as paper, office supplies, etc.
What are the Risk/s Identified?		
No identifiable risk in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.	Not Applicable	Not Applicable
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to sourcing materials that may have a big impact to the operations of the Company and the environment.		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	
Habitats protected or restored	–	ha
IUCN17 Red List species and national conservation list species with habitats in areas affected by operations	–	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The property that is being leased by the Company is not within, or adjacent to any protected areas and areas of high biodiversity value outside protected areas.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No risk identified since the Company's office is not located near protected areas of areas of high biodiversity.		
What are the Opportunity/ies Identified?		
No identifiable opportunity in relation to impact/involvement to the ecosystem and areas of high biodiversity.		

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	–	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	–	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	–	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact	Which stakeholders are affected?	Management Approach
Given the nature of the Company's business, that is, software development and other IT services, it does not have a direct contribution to the emission of greenhouse gases in the environment. Nevertheless, it strives to work towards sustainable development.	Not Applicable	Not Applicable
What are the Risk/s Identified?		
No identifiable risks since the Company is engaged in software development and does have a direct contribution to the emission of greenhouse gases in the environment.		
What are the Opportunity/ies Identified?		
No identifiable opportunities in relation to the topic since the Company is engaged in software development and does not have a direct contribution to the emission of greenhouse gases in the environment.		

Air pollutants

Disclosure	Quantity	Units
NOx (Nitrogen Oxides)	–	kg
SOx (Sulfur Oxides)	–	kg
Persistent organic pollutants (POPs)	–	kg
Volatile organic compounds (VOCs)	–	kg
Hazardous air pollutants (HAPs)	–	kg
Particulate matter (PM)	–	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company’s business, that is, software development and other IT services, it does not contribute any air pollutant into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risks since the Company is engaged in software development and does not contribute air pollutants.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunities since the Company is engaged in software development and does not contribute air pollutants.</td></tr>
</table>

<u>Solid and Hazardous Wastes</u>

<u>Solid Waste</u>

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	-	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	-	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company’s business, that is, software development and other IT services, it does not contribute any solid waste into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risks since the Company is engaged in software development and does not contribute solid waste into the environment.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunities since the Company is engaged in software development and does not contribute solid waste into the environment.</td></tr>
</table>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	–	kg
Total weight of hazardous waste transported	–	kg

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company’s business, that is, software development and other IT services, it does not contribute any hazardous waste into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risk in relation to production of hazardous waste since the Company is engaged in software development.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to minimizing/production of hazardous waste that requires any prescribed disposal method since the Company is engaged in software development.</td></tr>
</table>

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Which stakeholders are affected?</th><th>Management Approach</th></tr>
<tr><td>Given the nature of the Company’s business, that is, software development and other IT services, it does not contribute any effluents into the environment. Nevertheless, it strives to work towards sustainable development.</td><td rowspan="5">Not Applicable</td><td rowspan="5">Not Applicable</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No identifiable risk in relation to production of hazardous discharge or liquid waste on any bodies of water since the Company is engaged in software development.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>No identifiable opportunity in relation to minimizing/production of hazardous discharge or liquid waste that requires any prescribed disposal method since the Company is engaged in software development.</td></tr>
</table>

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	-	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	-	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
As an Information Technology company, we identify that our main contribution to sustainability is providing digital transformation with our technical capabilities. Though the effects of digital transformation to the environment and society is indirect, the Company, nevertheless complies with the environmental laws and regulations.	Customers, Employees, and Stockholders	Through its own way, the Company tries to contribute to sustainable development by providing digital transformation to customers. This results to increased efficiency resulting to less consumption of natural resources. Moreover, policies on conserving energy and water in the workplace is encouraged not only to lessen utility cost but also minimize help conserve natural resources.
What are the Risk/s Identified?		
The Company complies with environmental laws and regulations hence, it does not identify any risk in relation to the topic.		Not Applicable
What are the Opportunity/ies Identified?		
The IT industry in which the Company operates in seen to be a driver for sustainability. By optimizing business processes though digitization, businesses can operate more efficiently at the same time minimize the consumption of natural resources.	Customers	The Company ensures to deliver quality and efficient solutions to its clients.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees		
a. Number of female employees	75	#
b. Number of male employees	123	#
Attrition rate	45	%
Ratio of lowest paid employee against minimum wage	-	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	40	20
PhilHealth	Y	16	4
Pag-ibig	Y	13	10
Parental leaves	Y	5	2
Vacation leaves	Y	81	75
Sick leaves	Y	47	48
Medical benefits (aside from PhilHealth))	Y	39	31
Housing assistance (aside from Pag-ibig)	N	-	-
Retirement fund (aside from SSS)	N	-	-
Further education support	N	-	-
Company stock options	Y	8	8
Telecommuting	Y	93	97
Flexible-working Hours	Y	93	97
(Others)		-	-

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Human resource plays a vital role for the Company’s success. A mechanism for employee participation was developed to create a symbiotic environment, realize the company’s goals and participate in its corporate governance processes.</td><td rowspan="5">The Company is committed to continually review its incentive programs that rewards its employees for their contribution to achieve the Company’s goals. During the pandemic, the Company offered additional financial support to employees affected by the disease through employee loans. Moreover, through HR, employee engagements have been done online to check up on the employees and even had an online Christmas party to uplift their spirits.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Increasing attrition rate and employee dissatisfaction.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a competitive compensation package provides the opportunity to retain talented employees & increase employee satisfaction. It can also attract potential talents that may contribute to the Company’s success.</td></tr>
</table>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	4,237	hours
b. Male employees	9,886	hours
Average training hours provided to employees		
a. Female employees	34	hours/employee
b. Male employees	56	hours/employee

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Developing the talents and skill sets of employees impact the Company's efficiency and productivity. Having a well-developed workforce ensures timely and quality outputs positively impacts the company's relationship with customers and its financial state.</td><td rowspan="5">The Company has programs for upgrading employee skill sets which allow them to acquire new skills that may help them easily adopt to the challenges of the industry where technology evolution is considered fast-paced. Moreover, the compensation package is reviewed periodically and the employee is appropriately recognized for their contributions to the growth of the Company.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Without talent development, the Company may face the risk of project delays due to inefficient manpower complement. This may lead to losses in terms of number of customer base and generation of revenues. Another risk that the Company may face is losing a talented employee to another company who may offer better compensation package.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a talented and diverse workforce opens the opportunity for the Company to strengthen its efficiency in performing its services to customers. This efficiency can result to increased revenue generation since it can accomplish more projects in less time.</td></tr>
</table>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	-	%
Number of consultations conducted with employees concerning employee-related policies	12	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>In terms of Labor-Management Relations, the Company does not deal with any labor unions. The Company does not identify any impact of this topic to the business operations, etc.</td><td rowspan="5">Even though employees are not represented by any labor union, the Company still aims to provide a work environment that is safe and healthy. It also works providing an inclusive feeling where employees feel that their contribution to achieve set goals is important and is recognized.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>No risk identified regarding this topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>With the absence of any labor group paves the way to efficient business dealings to all stakeholders.</td></tr>
</table>

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	75	%
% of male workers in the workforce	123	%
Number of employees from indigenous communities and/or vulnerable sector*	2	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Xurpas Inc. is committed to fair employment practices without prejudice to gender, age, religion, etc. The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.</td><td rowspan="5">Through the Company's policies on safe and healthy work environment, it ensures that the fair employment practices are implemented.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Promotion of the diverse and equal employment opportunity in terms of employee management allows better synergy in the workplace. When problems arise and people work on it together, it may result to finding fast and creative solutions.</td></tr>
</table>

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	376,656	Man-hours
No. of work-related injuries	-	#
No. of work-related fatalities	-	#
No. of work related ill-health	536	#
No. of safety drills	-	#

<table>
<tr><th>What is the impact and where does it occur? What is the organization’s involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company ensures that the physical, emotional and mental well-being of its employees are well taken care of. The health, safety and welfare of its employees and members of community are of vital importance through which human and operational efficiencies are achieved. It also ensures the Company’s competitiveness to strive amidst stiff competition in the industry.</td><td rowspan="5">The Company complies with the regulations of the Department of Labor and Employment (DOLE) including the occupational health and safety standards. The Company also promotes a work-life balance for its employees with its flexible working hours and it has established programs to engage employees and check on their overall well-being.

Given the situation brought about by COVID-19, the company ensures its employees’ health and safety by implementing work from home set up and providing financial aids to help those affected by the disease. Further, the Company made sure to create a safe and healthy work environment for employees who go to the office by disinfecting the space from time to time. Employees were told to fill up the contact tracing, get temperature checks and were seated apart to maintain social distancing.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Given the strict implementation of its policies on inclusivity and equality among its employees, the Company cannot identify any risk in relation to the topic.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having a safe and healthy workplace promotes a conducive and productive environment.</td></tr>
</table>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	-	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **Yes, the Company has a policy on employee health, safety and welfare. Said policy is found on the Company's website.**

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company respects all of its employees and strives to protect them from all forms of harassment or any other inhumane treatments. Fostering a work environment that is inclusive and open to all affects the efficiency of the Company in delivering quality services.	Through the Company's policies on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.
What are the Risk/s Identified?	**Management Approach**
Strictly implementing and ensuring that the work place upholds the value of respect and professionalism, the Company has not identified any risk.	Not Applicable
What are the Opportunity/ies Identified?	**Management Approach**
Having a company caring for its employee's well-being may bring about the abolition of illegal labor practices. Having every employee feel safe and their individual traits are respected results to increased efficiency and productivity.	Through the Company's policy on promoting a work environment that is safe and healthy for everyone, it ensures that the fair employment practices are implemented. It does not tolerate any form of harassment or bullying that may result to mental and emotional degradation.

Supply Chain Management
Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
None
Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	Y	Anti-Corruption Policy, Whistleblowing Policy, RPT Policy and Insider Trading Policy

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
In terms of supply chain management, the Company deals mostly with IT companies whose operations does not have a direct impact in the environment and social issues.	The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates. Moreover, it ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development
What are the Risk/s Identified?	
No identifiable risk in relation to supply chain.	Not Applicable
What are the Opportunity/ies Identified?	
No identifiable opportunities since the Company deals mostly with other IT companies whose operations does not have a direct impact in the environment and social issues.	

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable) *	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Not Applicable					

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available. **Not Applicable.**

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	–	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Providing quality services and having strong and good relationships to the customers is of utmost importance. Not only does it result to positive results financially but will also result positively to all stakeholders involved with the Company.	The Company commits to provide quality services and innovative solutions to help the customers achieve digital transformation encouraging increased efficiency and productivity.
What are the Risk/s Identified?	
Customer dissatisfaction & loss of clients.	
What are the Opportunity/ies Identified?	
The opportunities that the Company may encounter includes good and trustworthy reputation and increased market share through servicing new clients and/or grow existing business accounts.	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	–	#
No. of complaints addressed	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company has not encountered health and safety issues from customers given the services provided consist of software development and other IT solutions.	It has implemented the necessary health and safety measures during the pandemic through WFH arrangements and protocols for those employees who were required to report personally in the office.
What are the Risk/s Identified?	
No identifiable risks in relation to this topic.	
What are the Opportunity/ies Identified?	
No identifiable opportunities in relation to this topic.	

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	–	#
No. of complaints addressed	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>The Company ensures that it delivers what it promises through its marketing channels. The marketing and sales team constantly updates product offerings and provides feedback for any customer-related concerns.</td><td rowspan="5">The Company is committed to practicing ethical and responsible marketing. It discourages misleading and dishonest marketing and advertising activities that may result to customer dissatisfaction or reputational risks.</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Misleading unethical marketing practices poses a risk of loss of customer and revenue. It also risks the Company's image.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>Having an honest marketing practice can be beneficial to the Company. It will give a positive image and be regarded as a trustworthy business partner to its customers and suppliers. This will help the company sustain its operations in the long run and support future plan for growth.</td></tr>
</table>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy	–	#
No. of complaints addressed	–	#
No. of customers, users and account holders whose information is used for secondary purposes	–	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.
What are the Risk/s Identified?	
Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious legal consequences.	
What are the Opportunity/ies Identified?	
Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.	

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	–	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
The Company adopts strict implementation not to disclose any pertinent information about its customers for secondary purposes. Disclosing such information may have a negative impact to the Company, namely, loss of client and revenue. It may also have a negative effect on the Company's image and trustworthiness.	The Company complies with Data Privacy Act and only discloses customers' data as required by the law and/or as stated in the contract.
What are the Risk/s Identified?	
Risks identified in relation to this topic is violation of Data Privacy Act that may lead to serious consequences.	

What are the Opportunity/ies Identified?	
Constant review of its customer privacy policies will improve internal control regarding customer privacy at the same time, mitigate the risk of unlawful disclosures.	

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Software Development and Other IT-Related Services	**Gender Equality and Reduced Inequalities** (The Company is committed to fair employment practices without prejudice to gender, age, religion, etc. It also ensures that the physical, mental and emotional well-being of the employees are taken care of through its policy and employee engagement programs.	No identifiable negative impact of contribution.	The Company sees no negative impact of hiring talents regardless of their backgrounds and differences. In fact, it welcomes a diverse workforce who can produce a synergy that can contribute to the Company's growth and sustainability.
	Decent work and Economic Growth (The Company provides a safe and healthy work environment for its employees. It abides by the DOLE's safety standards. Moreover, the Company provides full and productive employment for all especially the young professionals. It also follows strict health and safety protocols in the office to make sure employees don't get infected by COVID-19. Work from Home arrangements were implemented to help stop the spread of disease and make sure that employees are safe in the comfort their own homes while working.)	No identifiable negative impact of contribution.	
	Industry, Innovation and Infrastructure (Through the services and expertise it provides, the Company is	Breach of Data and Customer Privacy.	The Company complies with Data Privacy Act and only discloses customers' data as

	promoting digital transformation for all kinds of companies across all sectors. Upgrading systems result to increased productivity and efficiency. It also promotes inclusivity and sustainable industrialization.		required by the law and/or as stated in the contract. Aside from that, it also enforces strict internal data precautions.
	Peace, Justice and Strong Institutions (The Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occurs including acquisitions and financial standing. It values transparency and accountability since it recognizes the importance of regular communication to the stakeholders.	No identifiable negative impact of contribution.	
	Ensure healthy lives and promote well-being for all at all ages (Part of the company's employee benefits is to provide HMOs which provides financial aid in case that employees will be inflicted by some illness.)	No identifiable negative impact of contribution.	

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 an answer.

(b) Reports on SEC Form 17-C

Xurpas Inc. (the "**Company**") filed the following reports on SEC Form 17-C were filed in 2022 and first quarter of 2023:

DATE FILED	ITEMS REPORTED
January 7, 2022	Pursuant to the Company's Manual of Corporate Governance, Xurpas submitted the Attendance of Directors in board meetings held during the calendar year 2021.
January 12, 2022	The Company submitted its Public Ownership Report as of December 31, 2021.
January 17, 2022	The Company submitted its List of Top 100 Stockholders as of December 31, 2021.
January 20, 2022	Material Information / Transaction: Approval of the issuance of common shares to Mr. Nico Jose S. Nolledo
January 20, 2022	Press Release: Approval of the issuance of common shares to Mr. Nico Jose S. Nolledo
January 25, 2022	Advisement Report on Material Related Party Transactions pursuant to Securities and Exchange Commission Memorandum Circular No. 10, Series of 2019
January 31, 2022	Material Information / Transaction: Final Subscription Price for the Subscription Agreement between the Company and Mr. Nico Jose S. Nolledo
March 21, 2022	Update on Corporate Actions / Material Transactions / Agreements: Issuance of New Shares to Nix Nolledo
March 22, 2022	Change in Number of Issued and Outstanding Shares: Issuance of 181,818,182 common shares to Mr. Nolledo
March 23, 2022	The Company submitted its Public Ownership Report as of March 21, 2022.
April 18, 2022	The Company submitted its Public Ownership Report as of March 31, 2022.
April 18, 2022	Notice of Annual or Special Stockholders' Meeting: Approval of the Postponement of 2022 Annual Stockholders' Meeting
April 19, 2022	The Company submitted its List of Top 100 Stockholders as of March 31, 2022.

May 17, 2022	Annual Report for the fiscal year ended December 31, 2021
May 17, 2022	Quarterly Report for the period ended March 31, 2022
May 30, 2022	Integrated Annual Corporate Governance Report for the year 2021
June 3, 2022	Change in Directors and/or Officers: Election of New Chairman and Appointment of New Chief Executive Officer
June 3, 2022	Press Release: An Exciting new phase for Xurpas as it appoints 40-year IT veteran Joey Gurango as Chairman and CEO
June 20, 2022	Material Information / Transactions: Appointment of New Committee Members and Amendment of By-Laws
June 20, 2022	Preliminary Information Statement
June 20, 2022	Amendments to By-Laws (Approval by the Board of Directors)
June 20, 2022	Notice of Annual or Special Stockholders' Meeting: Approval of Date of 2022 Annual Stockholders' Meeting
July 7, 2022	Definitive Information Statement
July 15, 2022	The Company submitted its Public Ownership Report as of June 30, 2022.
July 15, 2022	The Company submitted its List of Top 100 Stockholders as of June 30, 2022.
August 9, 2022	Results of 2022 Annual Stockholders' Meeting
August 9, 2022	Results of 2022 Organizational Meeting
August 9, 2022	Amendments to By-Laws (Approval of the Stockholders)
August 9, 2022	Amendments to the Results of 2022 Annual Stockholders' Meeting
August 15, 2022	Initial Statement of Beneficial Ownership of Securities: Mr. Jose Vicente T. Colayco
August 15, 2022	Quarterly Report for the period ended June 30, 2022
August 17, 2022	The Company submitted the Certificate of Attendance in Corporate Governance Seminar of Atty. Mark S. Gorriceta.
September 7, 2022	2022 General Information Sheet
October 12, 2022	Change in Directors and/or Officers: Appointment of new Chief Compliance Officer and Chief Risk Officer
October 14, 2022	Initial Statement of Beneficial Ownership of Securities: Atty. Angela Sigrid J. Along

October 17, 2022	The Company submitted its Public Ownership Report as of September 30, 2022.
October 17, 2022	The Company submitted its List of Top 100 Stockholders as of September 30, 2022.
October 18, 2022	Material Information / Transactions: Amendment to the Material Related Party Transactions Policy
October 21, 2022	Amendment to the Material Related Party Transactions Policy
November 3, 2022	The Company submitted the Certificate of Attendance in Corporate Governance Seminar of Xurpas directors and officers.
November 14, 2022	Material Information / Transactions: Matters approved by the Board during its November 14, 2022 Meeting
November 14, 2022	Quarterly Report for the period ended September 30, 2022
November 16, 2022	Initial Statement of Beneficial Ownership of Securities: Mr. Christopher P. Monterola
November 18, 2022	Change in Directors and/or Officers: Appointment of New Independent Director
December 6, 2022	Amended 2022 General Information Sheet
December 13, 2022	Material Information / Transactions: Matters approved by the Board during its December 13, 2022 Meeting
January 16, 2023	The Company submitted its Public Ownership Report as of December 31, 2022.
January 16, 2023	The Company submitted its List of Top 100 Stockholders as of December 31, 2022.
February 10, 2023	Material Information / Transactions: Xurpas will establish presence in Australia.
March 6, 2023	Amendments to By-Laws (Approval by the Securities and Exchange Commission)
April 6, 2023	Material Information / Transactions: Sale of Xurpas Inc.'s 21.17% stake in Altitude Games Pte Ltd's assets and business
April 14, 2023	The Company submitted its Public Ownership Report as of March 31, 2023.
April 14, 2023	Material Information / Transactions: Amendment – Altitude Games Pte Ltd sells its assets and business
April 14, 2023	Request for Extension to file SEC Form 17-A
April 17, 2023	The Company submitted its List of Top 100 Stockholders as of March 31, 2023.

INDEX TO EXHIBITS

Form 17-A

No.		Page No.
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	*
(10)	Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(15)	Letter re: Change in Accounting Principles	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	**
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	15
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issued by the undersigned thereunto duly authorized, in the City of PASIG CITY on 02 MAY 2023

By:

JONATHAN GERARD A. GURANGO Chief Executive Officer	**JOSE VICENTE T. COLAYCO** Chief Operating Officer
ALEXANDER D. CORPUZ President / Chief Finance Officer	**FERNANDO JUDE F. GARCIA** Treasurer / Chief Technology Officer
ESTRELITA B. LABAN Finance Controller	**MARK S. GORRICETA** Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 02 MAY 2023 affiants exhibiting to me their Competent Evidence of Identity, as follows:

Names	Government Issued ID No.	Date of Issuance	Place of Issuance
Jonathan Gerard A. Gurango	P5527309A	January 06, 2018	DFA NCR Northeast
Jose Vicente T. Colayco	N03-87-043639	July 01, 2019	Makati City
Alexander D. Corpuz	P5670777A	January 18, 2018	DFA NCR East
Fernando Jude F. Garcia	P3524556B	October 15, 2019	DFA NCR East
Estrelita B. Laban	P8413630B	December 08, 2021	DFA Manila
Mark S. Gorriceta	P4531123B	January 24, 2020	DFA NCR East

Doc No. 122 ;
Page No. 26 ;
Book No. 1 ;
Series of 2023.

EDRIAN M. APAYA
PTR No. 173321/01-12-2023/Pasig City
IBP No. 250162; 01-19-2023; Masbate
Roll No. 64655
MCLE Compliance VI-0025830; 04-16-19
15th Floor Strata 2000, F. Ortigas Jr, Road, Pasig City
Email address: emapaya@gorricetalaw.com
Telephone No. 86960988
Appointment No. 189 (2023-2024) – Pasig City
Commissioned until 31 December 2024

ANNEX "F"

COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	

Company Name

XURPAS INC. AND SUBSIDIARIES

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

UNIT 804 ANTEL 2000 CORPORATE CENTER, 121 VALERO ST. SALCEDO VILLAGE, BRGY. BEL-AIR, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@xurpas.com	**(02) 8889-6467**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
28	**2nd Monday of May**	**March 31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Alexander D. Corpuz	**mar@xurpas.com**	**(02) 8889-6467**	**N/A**

Contact Person's Address

Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City

***Note**: **1**.* In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2023**

2. Commission identification number **A200117708**

3. BIR Tax Identification No **219-934-330**

4. **Xurpas Inc.**
   Exact name of issuer as specified in its charter

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

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

7. **Unit 804 Antel 2000 Corporate Center, 121 Valero St. Salcedo Village, Makati City** — **1227**
   Address of issuer's principal office — Postal Code

   (632) 8889-6467
8. Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares	**2,054,615,059**

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

    Yes [✓] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
    Philippine Stock Exchange Common Shares 1,797,700,660

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [✓] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Unaudited Interim Condensed Consolidated Statements of Financial Position
As at March 31, 2023 (with Comparative Audited Consolidated Statements of Financial Position as at December 31, 2022)

Unaudited Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the Three-month Periods Ended March 31, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the Three-month Periods Ended March 31, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three-month Periods Ended March 31, 2023 and 2022

Notes to Unaudited Interim Condensed Consolidated Financial Statements

Attachments:

Schedule I: Map Showing the Relationships Between and Among the Companies in the Group, Its Subsidiaries and Associates
Schedule II: Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule III: Financial Ratios

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

The MD&A is a discussion and analysis of the Company’s financial position as at March 31, 2023 and December 31, 2022 and performance for the three-month periods ended March 31, 2023 and 2022. The primary objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying the Company’s financial results.

The MD&A as of and for the three-month periods ended March 31, 2023 and 2022 should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes.

ITEM 1: FINANCIAL STATEMENTS

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 24)	**₱47,880,351**	₱63,309,410
Accounts and other receivables (Notes 6 and 24)	**130,151,036**	96,670,334
Contract assets (Note 7)	**23,063,104**	49,299,568
Other current assets (Note 9)	**25,011,092**	15,074,330
Total Current Assets	**226,105,583**	224,353,642
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Notes 8 and 24)	**1,200,000**	1,200,000
Investments in and advances to associates (Note 10)	**296,139,480**	294,969,865
Property and equipment (Note 11)	**5,110,500**	5,609,743
Intangible assets (Note 12)	**69,255,534**	62,837,163
Right-of-use asset (Note 19)	**1,978,769**	167,848
Other noncurrent assets (Note 9)	**13,643,197**	13,521,084
Total Noncurrent Assets	**387,327,480**	378,305,703
	₱613,433,063	₱602,659,345
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 13 and 24)	**₱387,390,606**	₱386,675,655
Advances from stockholders (Note 20)	**149,904,689**	152,353,662
Loans payable (Notes 14 and 24)	**34,998,255**	33,820,629
Contract liabilities (Note 7)	**44,087,908**	34,454,309
Current portion of lease liabilities (Note 19)	**989,307**	173,322
Total Current Liabilities	**617,370,765**	607,477,577
Noncurrent Liabilities		
Loans payable - net of current portion (Notes 14 and 24)	**3,336,161**	4,563,787
Lease liabilities – net of current portion (Note 19)	**996,957**	–
Deferred tax liabilities – net	**–**	3,323
Pension liabilities	**21,313,225**	21,313,225
Total Noncurrent Liabilities	**25,646,343**	25,880,335
Total Liabilities	**643,017,108**	633,357,912
Equity (Capital Deficiency)		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 22)	**211,674,403**	211,674,403
Additional paid-in capital (Note 22)	**3,659,721,747**	3,659,721,747
Deficit (Note 22)	**(3,306,071,580)**	(3,293,137,923)
Net unrealized loss on financial assets at FVOCI (Note 8)	**(43,494,956)**	(43,494,956)
Cumulative translation adjustment	**26,159,576**	18,466,776
Remeasurement gain on defined benefit plan	**8,251,009**	8,251,009
Equity reserve (Notes 22)	**(363,424,608)**	(363,424,608)
Revaluation Surplus	**15,138,509**	7,816,043
Treasury stock (Note 22)	**(99,700,819)**	(99,700,819)
	108,253,281	106,171,672
Noncontrolling interests	**(137,837,326)**	(136,870,239)
Total Equity (Capital Deficiency)	**(29,584,045)**	(30,698,567)
	₱613,433,063	₱602,659,345

See accompanying Notes to Interim Condensed Consolidated Financial Statements

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
SERVICE INCOME (Note 15)	**₱46,314,876**	₱47,698,847
COST OF SERVICES (Note 16)	**34,063,002**	39,207,674
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	**23,832,268**	16,995,255
EQUITY IN NET LOSSES (EARNINGS) OF ASSOCIATES (Note 10)	**3,714,345**	(5,436,479)
FINANCE COSTS – Net (Note 18)	**1,679,140**	1,899,040
OTHER CHARGES (INCOME) - NET (Note 18)	**(3,217,860)**	108,152
LOSS BEFORE INCOME TAX	**(13,756,019)**	(5,074,795)
PROVISION FOR INCOME TAX (Note 21)	**144,725**	3,021
NET LOSS	**(13,900,744)**	(5,077,816)
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment	**7,692,800**	(9,083,843)
Item that may not be reclassified to profit or loss in subsequent periods:		
Unrealized fair value gain (loss) on cryptocurrencies	**7,322,466**	(1,645,884)
	15,015,266	(10,729,727)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,114,522**	(₱15,807,543)
Net income (loss) attributable to:		
Equity holders of Xurpas Inc.	**(₱12,933,657)**	(₱3,896,728)
Noncontrolling interests	**(967,087)**	(1,181,088)
	(₱13,900,744)	(₱5,077,816)
Total comprehensive income (loss) attributable to:		
Equity holders of Xurpas Inc.	**₱2,081,609**	(₱14,626,455)
Noncontrolling interests	**(967,087)**	(1,181,088)
	₱1,114,522	(₱15,807,543)
Loss per share (Note 23)		
Basic	**(₱0.01)**	₱–
Diluted	**(₱0.01)**	₱–

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.		
CAPITAL STOCK - ₱0.10 par value (Note 22)		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning of period	**₱211,674,403**	₱193,492,585
Issuance of common shares	**–**	18,181,818
Balance at end of period	**211,674,403**	211,674,403
ADDITIONAL PAID-IN CAPITAL (Note 22)		
Balance at beginning of period	**3,659,721,747**	3,577,903,565
Issuance of common shares	**–**	81,818,182
Balance at end of period	**3,659,721,747**	3,659,721,747
RETAINED EARNINGS (DEFICIT) (Note 22)		
Appropriated		
Balance at beginning and end of period	**115,464,275**	115,464,275
Unappropriated		
Balance at beginning of period	**(3,408,602,198)**	(3,356,506,924)
Net loss	**(12,933,657)**	(3,896,728)
Balance at end of period	**(3,421,535,855)**	(3,360,403,652)
	(3,306,071,580)	(3,244,939,377)
NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 8)		
Balance at beginning and end of period	**(43,494,956)**	(44,094,956)
CUMULATIVE TRANSLATION ADJUSTMENT		
Balance at beginning of period	**18,466,776**	50,821,647
Movement during the period	**7,692,800**	(9,083,843)
Balance at end of period	**26,159,576**	41,737,804
REMEASUREMENT GAIN ON DEFINED BENEFIT PLAN		
Balance at beginning and end of period	**8,251,009**	2,908,954
EQUITY RESERVE (Notes 22)		
Balance at beginning and end of period	**(363,424,608)**	(363,424,608)
REVALUATION SURPLUS		
Balance at beginning of period	**7,816,043**	28,559,774
Movement during the period	**7,322,466**	(1,645,884)
Balance at end of period	**15,138,509**	26,913,890
TREASURY STOCK (Note 22)		
Balance at beginning and end of period	**(99,700,819)**	(99,700,819)
	108,253,281	190,797,038
NONCONTROLLING INTERESTS		
Balance at beginning of period	**(136,870,239)**	(113,329,574)
Cumulative translation adjustment	**–**	–
Net loss	**(967,087)**	(1,181,088)
Balance at end of period	**(137,837,326)**	(114,510,662)
	(₱29,584,045)	₱76,286,376

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱13,756,019)**	(₱5,074,795)
Adjustments for:		
Equity in net losses (earnings) of associates (Note 10)	**3,714,345**	(5,436,479)
Interest expense (Note 18)	**1,934,407**	1,914,765
Depreciation and amortization (Notes 16 and 17)	**786,737**	809,304
Unrealized loss on revaluation of cryptocurrencies (Note 18)	**17,464**	–
Loss on disposal of property and equipment (Note 18)	**(1,243)**	–
Interest income (Note 5)	**(255,267)**	(15,725)
Unrealized foreign exchange gain (Note 18)	**(2,448,973)**	–
Operating loss before changes in working capital	**(10,008,549)**	(7,802,930)
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	**(9,066,424)**	(6,403,398)
Other current assets	**(10,058,875)**	(676,311)
Increase (decrease) in:		
Accounts and other payables	**(1,182,398)**	(188,612)
Contract liabilities	**9,633,599**	2,877,547
Net cash used in operations	**(20,682,647)**	(12,193,704)
Interest received	**255,267**	15,725
Interest paid	**(25,000)**	–
Income taxes paid	**(148,048)**	(3,021)
Net cash provided by (used in) operating activities	**(20,600,428)**	(12,181,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of cryptocurrencies	**2,658,898**	–
Proceeds from sale of property and equipment	**57,610**	–
Additions to property and equipment (Note 11)	**(317,674)**	(539,246)
Decrease (increase) in noncurrent assets	**13,695**	1,985,403
Net cash used in investing activities	**2,412,529**	1,446,157
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares (Note 22)	**–**	100,000,000
Payment of loans payable (Note 14)	**(50,000)**	(137,277)
Net cash provided by (used in) financing activities	**(50,000)**	99,862,723
EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	**2,808,840**	(5,202,505)
NET INCREASE(DECREASE) IN CASH	**(15,429,059)**	83,925,375
CASH AT BEGINNING OF PERIOD	**63,309,410**	35,951,198
CASH AT END OF PERIOD (Note 5)	**₱47,880,351**	₱119,876,573

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

XURPAS INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Xurpas Inc. (the Parent Company or Xurpas) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 26, 2001. The principal activities of the Parent Company and its subsidiaries (collectively referred to as the Group) are to develop, produce, sell, buy or otherwise deal in products, goods or services in connection with the transmission, receiving, or exchange of voice, data, video or any form or kind of communication whatsoever.

The Parent Company's registered office address and principal place of business is at Unit 804 Antel 2000 Corporate Center, 121 Valero St. Salcedo Village, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The accompanying interim condensed consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on May 15, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements of the Group as at March 31, 2023 and for the three-month periods ended March 31, 2023 and 2022, have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*.

Accordingly, the interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at and for the year ended December 31, 2022.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group's presentation currency. All amounts were rounded-off to the nearest Peso, except when otherwise indicated. The interim condensed consolidated financial statements have been prepared under the historical cost basis, except for except for financial assets at fair value through other comprehensive income (FVOCI), available-for-sale (AFS) financial assets which have been measured at fair value and financial liabilities at fair value through profit or loss (FVPL).

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022 have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Xurpas Inc. and its subsidiaries as at March 31, 2023 and December 31, 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other voter holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests ("NCI") represent the portion of profit or loss and net assets in a subsidiary not wholly owned and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from the Parent Company's equity.

Total comprehensive income within a subsidiary is attributed to the noncontrolling interest even if that results in a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

As at March 31, 2023 and December 31, 2022, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership		
	March 31, 2023	December 31, 2022	**Principal Activities**
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	**100.00%**	100.00%	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	**100.00**	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	**70.00**	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	**52.50**	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	**51.31**	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	**51.31**	51.31	Human resource management
Allcare Technologies, Inc.***	**35.35**	35.35	Human resource management

(Forward)

	Percentage Ownership		
	March 31, 2023	December 31, 2022	**Principal Activities**
Xurpas Enterprise Inc. (Xurpas Enterprise)	**100.00**	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	**100.00**	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	**100.00**	100.00	Enterprise services

**Codesignate is a 75%-owned subsidiary of Seer. The Group's effective ownership over Codesignate is 52.50%. The Group has determined that it has control over the entity and consolidates the entity on this basis.*
***Storm Indonesia is 100%-owned subsidiary of Storm Technologies Inc.*
****Storm has 68.90% ownership over Allcare. The Group's effective ownership over Allcare is 35.35%. The Group has determined that it has control over the entity (see "Judgements" in Note 3)*

All subsidiaries are domiciled in the Philippines except for Storm Indonesia, which is domiciled in Indonesia, and AOC and ODX, which are domiciled in Singapore.

Xeleb Technologies, Inc.
Xeleb Technologies, Inc. was organized to primarily engage in the business of mobile content development. As of December 31, 2018, the Parent Company's interest in Xeleb Technologies is at 67%.

In 2019, Deeds of Absolute Sale were executed for the acquisition by the Parent Company of the remaining 33% stake in Xeleb Technologies from its minority stakeholders for a total consideration of ₱4.00 million. This brought Parent Company's interest in Xeleb Technologies to 100%.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies. As at March 31, 2023, Xeleb Technologies has yet to apply for the approval of government regulatory agencies for its dissolution.

Xeleb Inc.
On July 14, 2015, the Parent Company incorporated Xeleb Inc., a mobile games company domiciled in the Philippines. Xeleb was organized primarily to design, develop, test, build, market, distribute, maintain, support, customize, sell and/or sell applications, games, software, digital solutions, whether internet, mobile or other handheld applications, portals, hardware and other related projects and services, except internet provider services, both for proprietary and custom development purposes.

On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb. As at March 31, 2023, Xeleb has yet to apply for the approval of government regulatory agencies for its dissolution.

Storm Technologies, Inc.
Storm's primary purpose is to create, develop and maintain an online platform that allows companies to exchange their current human resources benefits given to employees and transform them into a wide range of products and services, provide client management services, data management and information processing services, software network management services, software development services, consultancy, project and program management, marketing solutions, information technology services and business process outsourcing services to various companies.

In 2022, Storm suspended the operation of its online Flex Benefits platform.

Xurpas Enterprise Inc.
On March 23, 2016, the Parent Company incorporated Xurpas Enterprise. Xurpas Enterprise shall primarily engage in the business of software development including designing, upgrading and marketing all kinds of information technology systems or parts thereof and other related services.

AOC
On October 6, 2016, the Parent Company signed a Share Purchase Agreement for the acquisition of 100% stake in Art of Click for an aggregate consideration of ₱1.94 billion in cash and in Parent Company's shares. AOC is engaged in the business of mobile media agency that offers a marketing platform for advertisers.

On March 30, 2020, the BOD of the Parent Company approved the suspension of business operations of AOC.

ODX Pte. Ltd.
In 2018, the Parent Company incorporated a wholly-owned subsidiary in Singapore, ODX, with the following principal activities: 1) other information technology and computer service activities (e.g., disaster recovery services) and 2) development of software for interactive digital media (except games).

ODX's platform, which will be an open data marketplace using blockchain technology, is under development. ODX has not started commercial operations as of March 31, 2023.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2022. Adoption of these new standards and amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  These amendments had no material impact on the consolidated financial statements of the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  These amendments had no impact on the consolidated financial statements as there were no changes in the accounting estimates used by the Group during the period.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates and Joint Ventures, Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Cash

Cash includes cash on hand and in banks. Cash in bank earns interest based on the prevailing bank deposit rates.

Fair value measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy (see Note 24).

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments - initial recognition and subsequent measurement

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

a. Financial assets

Initial recognition of financial instrument

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15. Refer to the accounting policies on revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes "Cash" and "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation), "Refundable deposits" under other current assets, and "Cash bond" under other noncurrent assets.

Financial assets at FVOCI (debt instruments)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group has not designated any financial assets under this category.

Financial assets at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in profit or loss when the right of payment has been established.

The Group has designated its unquoted debt investments under this category.

<u>Derecognition</u>
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

<u>Impairment of Financial Assets and Contract Assets</u>
The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL and contract assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix for trade receivables and contract assets that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such as receivable from related parties, other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets and financial assets at FVOCI (debt instruments), ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, where there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

b. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others"), "Loans payable" and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are only designated as at FVPL when one of the following criteria are met. Such designation is determined on an instrument-by- instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in equity reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Financial liabilities arising from amounts received under the Share and Token Allocation Agreement classified as "Nontrade payables" under "Accounts and other payables" were designated at FVTPL as it contains embedded derivatives.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to short-term debts.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVPL, are classified as accounts payable and accrued expenses where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's "Accounts and other payables" (except "Deferred output VAT", "Taxes payable" and provision relating to PSA and statutory payables included as "Others") and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

c. *Offsetting Financial Instruments*
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Investments in Associates
The Group's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the associate.

Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associate, less any impairment in values. The consolidated statement of comprehensive income reflects the share of the results of the operations of the associate company. The Group's share of post-acquisition movements in the associate's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the associate company are eliminated to the extent of the interest in the associate company and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investment in associate company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate company. When the associate company subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When necessary, adjustments are made to bring the reporting dates and accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Inventories
Inventories are stated at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Property and Equipment
Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. It excludes the cost of day-to-day servicing.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the property and equipment which are as follows:

	Years
Transportation equipment	3
Office equipment	3 to 4
Information Technology (IT) equipment	3 to 4
Furniture and fixtures	3 to 5
Leasehold improvements	Useful life (3 to 5) or lease term, whichever is shorter

The estimated residual values, useful life and depreciation and amortization method are reviewed at least annually to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation and amortization rate or the useful lives, the depreciation of that property and equipment is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

<u>Intangible Assets</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Cryptocurrencies which are not held in the ordinary course of business are recognized as intangible assets as these are identifiable non-monetary asset without physical substance.

Following initial recognition, intangible assets (other than cryptocurrencies) are carried at cost less any accumulated amortization and accumulated impairment losses. Cryptocurrencies are subsequently carried at revalued amount, being its fair value at the date of the revaluation less any accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives of intangible assets follow:

	Years
Cryptocurrencies	Indefinite
Developed software	5 – 8

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

If the cryptocurrencie's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

If the cryptocurrencies' carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be recognized in other comprehensive income to the extent of any credit balance in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

Research and Development Costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms' economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measure based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

<u>Noncontrolling interests</u>
In a business combination, as of the acquisition date, the Group recognizes, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. There is a choice of two measurement methods for those components of noncontrolling interests that are both present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of a liquidation. They can be measured at:

a. acquisition-date fair value (consistent with the measurement principle for other components of the business combination); or
b. at their proportionate share of the value of net identifiable assets acquired.

Written put option over NCI
Any put options granted to noncontrolling interests give rise to a financial liability measured at fair value, which will be the present value of the redemption amount. The Group's accounting policy on financial instruments applies for the subsequent measurement of the financial liability.

The Group assesses whether the terms and conditions of the option give the acquirer present access to the ownership interest in the share subject to the put option. Factors that indicate that the NCI put provides a present ownership interest include:

a. pricing - to the extent that the price is fixed or determinable, rather than being at fair value;
b. voting rights and decision-making – to the extent that the voting rights or decision-making connected to the shares concerned are restricted;
c. dividend rights – to the extent that the dividend rights attached to the shares concerned are restricted; and
d. issue of call options – a combination of put and call options, with the same period of exercise and same/similar pricing indicates that the arrangement is in the nature of a forward contract.

If it is concluded that the acquirer has a present ownership interest in the shares concerned, the put option is accounted for as an acquisition of the underlying shares, and no noncontrolling interest is recognized.

When the terms of the transaction do not provide a present ownership interest, the noncontrolling interests continues to be recognized within equity until the NCI put is exercised. The carrying amount of noncontrolling interest changes due to allocations of profit or loss, changes in other comprehensive income and dividends declared for the reporting period. The financial liability for the put option is recognized through a debit made to another component of equity attributable to the parent.

If the put option is exercised, the entity accounts for an increase in its ownership interest. At the same time, the entity derecognizes the financial liability and recognizes an offsetting credit in the same component of equity reduced on initial recognition.

If the put option expires unexercised, the financial liability is reclassified to the same component of equity that was reduced on initial recognition.

Combinations of Entities under Common Control
Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interest method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity under the "Equity reserve" account.

The financial information in the consolidated financial statements are not restated for periods prior to the combination of the entities under common control.

Impairment of Nonfinancial Assets
The Group assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates
The Group also determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the associate company and recognizes the difference in profit or loss.

In assessing impairment indicators, the Group considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the associate in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

Intangible assets with indefinite useful life
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level and when circumstances indicate that the carrying value may be impaired.

Impairment of goodwill
For assessing impairment of goodwill, a test of impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

<u>Equity</u>
Capital stock and additional paid-in capital
Capital stock is measured at par value for all shares issued. When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital". When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. The costs of an equity transaction that is abandoned are recognized as an expense.

Treasury shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings (deficit)
Retained earnings represent the cumulative balance of net income or loss, dividend distributions, prior period adjustments, effects of the changes in accounting policy and other capital adjustments.

Unappropriated retained earnings
Unappropriated retained earnings represent the portion of retained earnings that is free and can be declared as dividends to stockholders.

Appropriated retained earnings
Appropriated retained earnings represent the portion of retained earnings which has been restricted and therefore is not available for dividend declaration.

Equity reserve
Equity reserve represents:
(a) a portion of equity against which the recognized liability for a written put option was charged;
(b) gains or losses resulting from increase or decrease in ownership without loss of control; and
(c) difference between the consideration transferred and the net assets acquired in common control business combination.

<u>Revenue Recognition</u>
Revenue from contracts with customers is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

Service income
Service income consists of revenue from Value Added Services (VAS) and Business Process Outsourcing (BPO). BPO is further subdivided into IT Staffing, Custom Development and Managed Services, Products and Other Services.

VAS are mobile and content application services provided to mobile subscribers. Revenue is recognized at a point in time, that is when services are delivered to the customers during the period.

IT staffing is a business segment where the Group deploys resources to clients to fulfill their IT requirements. Revenue is recognized at a point in time, that is when services are rendered to the customers during the period.

Custom Development and Managed Services are services offered to customers that are produced in the Company's premises. Revenue is recognized over time and at a point in time. In measuring the progress of its performance obligation over time for Custom Development, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the IT specialists.

Products are readily available solutions that will cater to customers' requirements. Revenue is recognized at a point in time, that is when goods are delivered to the customers during the period.

Other Services are recognized over time, that is, when services are rendered to the customers or over the period to which the customers are entitled to avail of the services.

Sale of goods
Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of discounts and applicable taxes. Revenue is recognized at a point in time, which is normally upon delivery.

For the three-month periods ended March 31, 2023 and 2022, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

<u>Contract Balances</u>
Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

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

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer (e.g., upfront fees, implementation fees, subscription fees, etc.). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Interest income
Interest income is recognized as it accrues using the effective interest method.

Other income
Other income is recognized as they accrue.

<u>Cost and Expenses</u>
"Cost of services", "Cost of goods sold", and "General and administrative expenses" are expenditures recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measure reliably. The following specific

recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Cost that includes all expenses associated with the specific sale of services. Cost of services include salaries, wages and employee benefits, utilities and communication, supplies and other expenses related to services. Such costs are recognized when the related sales have been recognized.

Cost of goods sold
Cost of goods sold consists of inventory costs related to goods which the Group has sold. Inventory costs include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

General and administrative expenses
General and administrative expenses constitute expenses of administering the business and are recognized in profit or loss as incurred.

<u>Leases</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee
Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Office space	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of nonfinancial assets section.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Income tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date. Movements in deferred tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

Deferred tax relating to items outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of sales tax except:

- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of other current assets or payables in the consolidated statement of financial position.

Pensions and other long-term employee benefits
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss. Remeasurements comprising actuarial gains and losses are recognized immediately in the consolidated statements of financial position with a corresponding debit or credit through other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The Group also provided other long-term employee benefit obligations to an employee of a subsidiary as remuneration for the services provided by the employee to the subsidiary, which are to be settled in cash. A liability and expense for the long-term employee benefit is recognized when the services have been rendered and is amortized during the period of entitlement.

Foreign Currency Transactions
The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company and the subsidiaries' functional currency, except for AOC and ODX, which is US dollar, and Storm Indonesia, which is Indonesian Rupiah. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recorded in Philippine Peso at the exchange rate at the date of transaction. Foreign currency-denominated monetary assets and liabilities are retranslated at the closing rate at reporting date. Exchange gains or losses arising from foreign currency transactions are recognized in profit or loss.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under “Cumulative translation adjustment” account. Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group’s share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common stockholders of the parent by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares, if any.

Segment Reporting
The Group’s operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different markets. Financial information on business segments is presented in Note 25 of the consolidated financial statements.

Provisions
Provisions are recognized when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

This policy also applies to proceeds received from the Token Pre-Sale Agreement for which management has assessed that it has a present constructive obligation to the token investors.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

This policy also applies to agreements which the Group entered into with certain advisors for which the services received are to be paid through internally generated tokens in the future and for which the obligation cannot be measured with sufficient reliability.

Events after the Reporting Period
Post year-end events up to date when the consolidated financial statements are authorized for issue that provide additional information about the Group’s position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Significant Accounting Judgments and Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statement. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

a. *Assumption of going concern*
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it can continue in business for the foreseeable future. The Group incurred net loss and net operating cash outflows of ₱13.90 million and ₱18.78 million, respectively, for the three-month period ended March 31, 2023. As of March 31, 2023 the Group's current liabilities exceeded its current assets by ₱391.27 million. Management has considered this in their assessment and has concluded that the ability to continue as a going concern is mainly dependent on future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity.

Management does not have plans to liquidate and continues to believe that the Group is in a unique position being one of the few technology companies that can assist companies in their digital transformation initiatives and develop marketing promotions for consumer and enterprise businesses.

b. *Determination of control over investment in subsidiaries*
The Group determined that it has control over its subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:
   - The contractual arrangement with the other vote holders of the investee
   - Rights arising from other contractual agreements
   - The Group's voting rights and potential voting rights

c. *Existence of significant influence over associates*
The Group determined that it exercises significant influence over its associates (see Note 10) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee) and board representation.

d. *Capitalization of development costs*
The Group determined that intangible assets arising from development qualify for recognition by determining that all of the following are present:
   i. The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
   ii. Intention to complete and its ability and intention to use or sell the asset;
   iii. How the asset will generate future economic benefits;
   iv. The availability of resources to complete the asset; and
   v. The ability to measure reliably the expenditure during development.

e. *Determination of constructive obligation arising from cryptocurrency transactions*
The Group determined that a constructive obligation exists based on the terms of the agreements and the general expectations of the counterparties.

<u>Management's Use of Estimates</u>
The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date that

have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Evaluating impairment of goodwill, and investments in associates*
Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. The cash flows are derived from the budget for the next five years which include factors considering the current economic environment but exclude restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the growth rates, EBITDA margin used for extrapolation purposes. These estimates are most relevant to goodwill recognized by the Group. The carrying values of goodwill amounted to ₱48.22 million as of March 31, 2023 and December 31, 2022, respectively (see Note 12).

Investments in associates are tested for impairment when circumstances indicate that the carrying value may be impaired. The carrying values of investments in associates amounted to ₱274.05 million and ₱272.89 million as of March 31, 2023 and December 31, 2022, respectively.

b. *Revenue recognition*
The Group's revenue recognition require management to make use of estimates that may affect the reported amount of revenue. The Group's revenue from sale of services for development projects recognized based on the percentage of completion are measured principally on the basis of the estimated completion of the development services. In measuring the progress of its performance obligation over time, the Group uses the output method which measures progress based on the completion of proportion of work done and requires technical determination by the Group's specialists.

c. *Provisions and contingencies*
The Group is currently involved in assessments for national taxes. The estimate of the probable costs for the resolution of these assessments has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these assessments will have a material effect on the Group's consolidated financial position and results of operation.

d. *Provision for expected credit losses of trade receivables and contract assets*
The Group uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss pattern.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

As of March 31, 2023 and December 31, 2022, allowance for impairment losses on accounts and other receivables amounted to ₱32.94 million and ₱32.94 million, respectively (see Note 6).

e. *Realizability of deferred tax assets*
The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the subsidiaries of the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized. The Group looks at its projected performance in the sufficiency of future taxable income.

4. Seasonality of Interim Operations

The Group is not subject to the seasonality of revenue realization.

5. Cash and cash equivalents

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	**₱961,125**	₱879,608
Cash in banks	**46,919,226**	62,429,802
	₱47,880,351	₱63,309,410

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.26 million and ₱0.02 million for the three-month periods ended March 31, 2023 and 2022, respectively.

6. Accounts and Other Receivables

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱127,094,259**	₱93,575,021
Receivable from related parties (Note 20)	**18,626,613**	21,424,517
Advances to employees	**2,313,921**	2,411,075
Others	**14,905,984**	12,200,603
	162,940,777	129,611,216
Less: Allowance for impairment loss	**32,789,741**	32,940,882
	₱130,151,036	₱96,670,334

Trade receivables arise from the mobile content development, mobile solution and key platform development services rendered by the Group to its customers. These are noninterest-bearing and are generally settled on a 30- to 60-day term.

Advances to employees mainly pertain to advances which are subject to liquidation.

Others are noninterest-bearing and are generally collectible within one year.

The table below shows the movements in the provision for impairment losses of trade receivables:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of year	**₱32,940,882**	₱23,210,902
Provisions	–	11,909,533
Write-off	–	(3,249,825)
Translation adjustments	**(151,141)**	1,070,272
	₱32,789,741	₱32,940,882

As of March 31, 2023 and December 31, 2022, the allowance for impairment losses pertains to:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	**₱15,112,735**	₱15,263,876
Receivable from related parties (Note 20)	**6,137,019**	6,137,019
Others	**11,539,987**	11,539,987
	₱32,789,741	₱32,940,882

7. **Contract Balances**

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Contract assets	**₱23,063,104**	₱49,299,568
Contract liabilities	**44,087,908**	34,454,309

Contract assets are initially recognized for revenues earned from custom development as receipt of consideration is conditional on successful completion of proportion of work. Upon completion of performance obligation and acceptance by the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services which have not qualified for revenue recognition.

8. **Financial Assets at Fair Value through Other Comprehensive Income**

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**₱1,200,000**	₱600,000
Unrealized gain on financial assets at FVOCI, net of tax	**−**	600,000
	₱1,200,000	₱1,200,000

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**(₱43,494,956)**	(₱44,094,956)
Unrealized gain on financial assets at FVOCI	**−**	600,000
Balance at end of period	**(₱43,494,956)**	(₱43,494,956)

Unrealized loss on financial assets at FVOCI is recognized under "Other comprehensive income" in the consolidated statements of comprehensive income.

Carrying amount of the investments in financial assets at FVPL and financial assets at FVOCI as at March 31, 2023 and December 31, 2022 are as follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Quoted shares		
Club Punta Fuego	**₱1,200,000**	₱1,200,000
Unquoted equity investment		
Zowdow Inc.	**44,244,956**	44,244,956
Less: Unrealized loss on financial assets at FVOCI	**(44,244,956)**	(44,244,956)
	–	–
	₱1,200,000	₱1,200,000

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity and debt investments are categorized under Level 3 (Note 24).

Quoted equity investments
Quoted equity instruments consist of investment in golf club shares.

Unquoted equity investments
In April 2015, the Group acquired 666,666 million shares of Series A Preferred Stock of Zowdow Inc. ("Zowdow"), formerly Quick.ly, Inc. ("Quick.ly"), at a purchase price of $1.50 per share for a total investment of US$999,999 or ₱44.24 million. As at March 31, 2023 and December 31, 2022, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis.

Fair value of unquoted equity investments was determined using prices from recent sales at arm's length transaction. No unrealized gain or loss was recognized during the year for these investments (Note 24).

Unquoted debt investments
<u>MatchMe Pte. Ltd.</u>
On November 2, 2015, the Group acquired a convertible promissory note for US$300,000 (₱14.06 million) issued by MatchMe Pte. Ltd. ("MatchMe"), an associate of the Group based in Singapore (Note 10). On February 11, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$500,000 (₱23.89 million). On October 7, 2016, the Group acquired additional convertible promissory note issued by MatchMe for US$300,000 (₱14.55 million).

<u>Altitude Games Pte. Ltd.</u>
On January 19, 2016, the Group purchased a convertible promissory note for US$400,000 (₱19.26 million) issued by Altitude Games Pte. Ltd. ("Altitude Games"), an associate of the Group. On September 21, 2016, the Group acquired additional convertible promissory note for US$200,000 (₱9.60 million) issued by Altitude Games.

<u>Einsights Pte, Ltd.</u>
On September 30, 2015, the Group purchased a convertible promissory note for US$500,000 (₱23.48 million) issued by Einsights Pte, Ltd. ("Einsights"), a Singapore-based technology solutions provider with operations in Singapore, Vietnam, Hong Kong, India, Australia, Canada and Switzerland.

<u>Pico Candy Pte. Ltd.</u>
In August 2013, the Group invested in Pico Candy Pte. Ltd.'s convertible bonds amounting to SG$0.10 million, which is equivalent to ₱3.60 million. Pico Candy Pte. Ltd. operates a digital sticker distribution platform. It was founded in 2013 and is based in Singapore.

9. Other Assets

Other current assets
This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Input VAT – net	**₱10,056,716**	₱10,056,921
Prepaid expenses	**9,705,529**	1,187,897
Creditable withholding tax	**6,984,446**	5,997,879
Deferred input VAT	**900,030**	198,244
Refundable deposits	**741,717**	1,010,735
	28,388,438	18,451,676
Less: allowance for impairment losses	**3,377,346**	3,377,346
	₱25,011,092	₱15,074,330

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

Creditable withholding taxes pertain to prepaid taxes recognized at the amount withheld at source upon payment and overpayment of income tax in previous years. This can be carried forward and claimed as tax credit against income tax due.

Deferred input VAT represents input VAT related to unpaid balances for the services availed by the Group. These will be recognized as input VAT and applied against output VAT upon payment. Any remaining balance is recoverable in future periods.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

Other noncurrent assets
This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Creditable withholding tax	**₱20,706,050**	₱20,678,208
Deferred input VAT	**1,312,247**	1,466,865
Security deposit	**270,865**	–
Others	**674,966**	696,942
	22,964,128	22,842,015
Less: allowance for impairment losses	**9,320,931**	9,320,931
	₱13,643,197	₱13,521,084

10. Investments in and Advances to Associates

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost		
Balance at beginning and end of period	**₱577,561,081**	₱577,561,081

(Forward)

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Equity in net loss		
Balance at beginning of period	**(178,729,585)**	(174,445,882)
Share in net earnings during the period	**(3,714,345)**	(4,283,703)
Balance at end of period	**(182,443,930)**	(178,729,585)
Cumulative translation adjustment		
Balance at beginning of period	**6,169,267**	18,165,445
Movement during the period	**4,883,960**	(11,996,178)
Balance at end of period	**11,053,227**	6,169,267
Accumulated impairment		
Balance at beginning of period	**(132,115,484)**	(107,147,488)
Movement during the period	**–**	(24,967,996)
	(132,115,484)	(132,115,484)
	274,054,894	272,885,279
Advances to Associate	**22,084,586**	22,084,586
	₱296,139,480	₱294,969,865

The equity in cumulative translation adjustments represents exchange differences arising from the translation of financial statements of the foreign operations, whose functional currency is other than Philippine Peso.

The Group's equity in the net assets of associates and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Micro Benefits Limited	**23.53**	23.53	**₱232,874,270**	₱232,352,371
Altitude Games Pte. Ltd	**21.17**	21.17	**20,127,444**	20,430,326
PT Sembilan Digital Investama	**49.00**	49.00	**21,053,180**	20,102,582
MatchMe Ltd.	**29.10**	29.10	**–**	–
Altitude Games Inc.	**21.17**	21.17	**–**	–
			₱274,054,894	₱272,885,279
Advances to associate				
PT Sembilan Digital Investama			**22,084,586**	22,084,586
			₱296,139,480	₱294,969,865

Micro Benefits Limited
On March 9, 2016, the Parent Company acquired 718,333 new Series C Preferred Shares equivalent to a 23.53% stake in Micro Benefits Limited ("Micro Benefits") for US$10.00 million. Micro Benefits, a company registered in Hong Kong, is engaged in the business of providing employee benefits to Chinese workers through its operating company, Micro Benefits Financial Consulting (Suzhou) Co. Ltd., located in China.

Altitude Games Pte. Ltd.
As at March 31, 2023 and December 31, 2022 the Group owns 21.17% ownership interest in Altitude Games Pte. Ltd. ("Altitude Games"), a Singaporean IT company engaged in computer game development and publishing. The Group acquired a total of 24.69 million shares with par value of US$0.01 per share for a total consideration of US$740,800 or US$0.03 per share.

Altitude Games' registered office address is at 16 Raffles Quay, #33-03, Hong Leong Building, Singapore.

PT Sembilan Digital Investama
On March 26, 2015, the Parent Company acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama (SDI) amounting to ₱10.83 million. The acquisition gave the Parent Company access to PT Ninelives Interactive ("Ninelives"), a mobile content and distribution company in Indonesia, which SDI owns.

As of March 31, 2023 and December 31, 2022, the Group has advances to SDI amounting to ₱22.08 million to fund its mobile content and distribution services.

SDI's registered office address is at J1. Pos Pengumben Raya No. 01 RT 010 RW 03, Kel Srengseng, Jakarta Barat.

MatchMe Pte. Ltd.
In 2015 and 2018, the Group acquired an aggregate of 1,547,729 ordinary shares or 29.10% interest in MatchMe, an international game development company based in Singapore, for a total consideration amounting to ₱63.58 million.

In 2019, MatchMe became dormant which prompted full impairment of the Group's investment in MatchMe amounting to ₱38.66 million.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

Altitude Games Inc.
On July 22, 2015, the Parent Company subscribed to 211,656 shares of stock or 21.17% shareholdings in Altitude Games Inc. ("Altitude Philippines"), an affiliate of Altitude Games. Altitude Philippines engages in the business of development, design, sale and distribution of games and applications.

Altitude Philippine's registered office address is at Unit A51 5th Floor Zeta II Bldg., Salcedo St. Legazpi Village, Makati City.

As at March 31, 2023 and December 31, 2022, there are no capital commitments relating to the Group's interests in its associates.

The Group considers an associate with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period and considers the relevance of the nature of activities of the entity compared to other operations of the Group. There are no significant restrictions on the Parent Company's ability to use assets and settle liabilities of the Group.

11. Property and Equipment

The Group acquired property and equipment amounting to ₱0.32 million and ₱0.54 million during the three-month periods ended March 31, 2023 and 2022, respectively. Depreciation expense amounted to ₱0.48 million and ₱0.29 million for the three-month periods ended March 31, 2023 and 2022, respectively.

12. Intangible Assets

This account consists of:

March 31, 2023

	Goodwill	Developed Software	Crypto-Currencies	Total
Cost				
At beginning of period	₱2,004,469,603	₱104,377,217	₱3,215,685	₱2,112,062,505
Additions	–	281,200	1,540,986	1,822,186
Disposals	–	–	(2,713,665)	(2,713,665)
At end of period	2,004,469,603	104,658,417	2,043,006	2,111,171,026

(Forward)

	Goodwill	Developed Software	Crypto-Currencies	Total
Accumulated amortization				
At beginning of period	–	**93,065,021**	–	**93,065,021**
Amortization (Note 16)	–	**49,950**	–	**49,950**
At end of period	–	**93,114,971**	–	**93,114,971**
Accumulated impairment				
At beginning and end of period	**1,956,247,619**	**10,242,927**	–	**1,966,490,546**
Accumulated revaluation surplus				
At beginning of year	–	–	**10,330,225**	**10,330,225**
Revaluation decrease	–	–	**7,322,466**	**7,322,466**
Revaluation loss	–	–	**(17,464)**	**(17,464)**
Disposals	–	–	**54,767**	**54,767**
At end of year	–	–	**17,689,994**	**17,689,994**
Net Book Value	**₱48,221,984**	**₱1,300,549**	**₱19,733,001**	**₱69,255,534**

December 31, 2022

	Goodwill	Developed Software	Crypto-currencies	Total
Cost				
At beginning of year	₱2,004,469,603	₱103,280,467	₱2,043,006	₱2,109,793,076
Additions	–	1,096,750	1,172,679	2,269,429
At end of year	2,004,469,603	104,377,217	3,215,685	2,119,062,505
Accumulated amortization				
At beginning of year	–	86,916,684	–	86,916,684
Amortization (Note 16)	–	6,148,337	–	6,148,337
At end of year	–	93,065,021	–	93,065,021
Accumulated Impairment				
At beginning of year	1,956,247,619	9,226,335	–	1,965,473,954
Impairment	–	1,016,592	–	1,016,592
At end of year	1,956,247,619	10,242,927	–	1,966,490,546
Accumulated revaluation surplus				
At beginning of year	–	–	31,111,248	31,111,248
Revaluation loss	–	–	(20,781,023)	(20,781,023)
At end of year	–	–	10,330,225	10,330,225
Net Book Value	₱48,221,984	₱1,069,269	₱13,545,910	₱62,837,163

Goodwill
Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Developed software
Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment.

Leasehold rights
Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination.

Cryptocurrencies
Cryptocurrencies pertain to units of Bitcoin, Ether and USDC held by the Group as at March 31, 2023.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at March 31, 2023 and December 31, 2022, the fair value of Bitcoin is valued at USD 28,473.70 per unit and USD16,537.40 per unit, respectively, the fair value of Ether is USD 1,822.02 and USD1,196.77, respectively, while the fair value of USDC is USD1.00 per unit..

The amortization expense of intangible assets recognized in "Depreciation and amortization" under "Cost of services" in the consolidated statements of comprehensive income amounted to ₱0.05 million and ₱0.27 million for the three-month periods ended March 31, 2023 and 2022, respectively (see Note 16).

13. **Accounts and Other Payables**

This account consists of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Payable to third parties	**₱82,656,095**	₱88,328,722
Nontrade payable	**61,927,962**	62,801,727
Trade payables	**26,389,994**	16,478,805
Payable to related parties (Note 20)	**29,193,524**	27,296,175
Accrued expenses	**9,966,556**	13,627,526
Deferred output VAT	**11,333,668**	8,098,669
Taxes payable	**13,757,024**	13,963,002
Others	**152,165,783**	156,082,029
	₱387,390,606	₱386,676,655

Payable to third parties are advances made by minority shareholders and affiliates of Seer and Storm for working capital purposes and deposits for future stock subscription. These are noninterest-bearing and are settled within one year.

Nontrade payables include proceeds received by ODX under the Share and Token Allocation Agreement which grants the investor rights to certain shares of ODX and internally generated tokens in the future depending on the happening of certain events prior to termination of the agreement.

Trade payables represents the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

Accrued expenses mainly consist of accruals for seminars and trainings, taxes and licenses, professional fees, interest expense and others. These are noninterest-bearing and are normally settled within one year.

Deferred output VAT represents deferral of output VAT related to trade receivables for the services rendered by the Group. These will be recognized as output VAT and applied against input VAT upon receipt of payment.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment of suppliers and employees' compensation which are settled within one year.

Others consist of statutory payables to SSS, Philhealth and HDMF. This account also includes provision relating to the Token Pre-Sale Agreements ("PSA") entered into by the Group, through ODX, with various investors for the sale of ODX tokens. These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	**₱153,988,952**	₱133,225,859
Translation adjustments	**(2,142,460)**	20,763,093
	₱151,846,492	₱153,988,952

14. **Loans Payable**

This account pertains to short-term, unsecured and interest bearing 30- to 1,050- day term loans entered into by the Group with different local banks and non-banks.

The rollforward analysis of this account follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**₱38,384,416**	₱38,793,070
Payment of loans	**(50,000)**	(408,654)
Balance at end of year	**38,334,416**	38,384,416
Noncurrent loans payable	**3,336,161**	4,563,787
	₱34,998,255	₱33,820,629

Interest expense recognized in the consolidated statements of comprehensive income during the three-month periods ended March 31, 2023 and 2022 amounted to ₱0.03 million and ₱0.06 million, respectively (see Note 18).

15. **Service Income**

Service income, amounting to ₱46.31 million and ₱47.70 million for the three-month periods ended March 31, 2023 and 2022, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and other services rendered by the Group to its customers. Revenues from these segments are recognized at a point in time, except for revenues from custom development included under enterprise services which are recognized over time.

Revenue from contracts with customers
The Group derives revenue from the transfer of goods and services over time and at a point in time, in different product types of its service income. The Group's disaggregation of revenue from contracts with customers for the three-month periods ended March 31, 2023 and 2022 are presented below:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Mobile consumer services	**₱1,403,873**	₱6,845,713
Enterprise services	**32,831,556**	30,873,465
Other services	**12,079,447**	9,979,669
	₱46,314,876	₱47,698,847

16. **Cost of Services**

Cost of services for the three-month periods ended March 31, 2023 and 2022 consists of:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, wages and employee benefits	**₱19,083,821**	₱24,662,601
Outside services	**11,102,546**	7,185,582
Outsourced services	**1,941,509**	5,628,692
Web hosting	**1,139,923**	724,716
Commission	**511,250**	109,623
Consultancy fees	**156,832**	212,000
Utilities	**54,379**	41,460
Depreciation and amortization	**49,920**	270,178
Others	**22,822**	372,822
	₱34,063,002	₱39,207,674

In 2023, the Group underwent a reorganization of workforce causing the transfer of salaries and wages of some employees from "Cost of services" to "General and Administrative Expenses" amounting to ₱4.06 million.

17. General and Administrative Expenses

General and administrative expenses for the three-month periods ended March 31, 2023 and 2022 consists of:

	March 31	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries, wages and employee benefits	**₱17,733,895**	₱7,471,913
Marketing and promotions	**1,020,995**	764,422
Dues and subscription	**1,117,539**	343,685
Professional fees	**934,282**	2,459,261
Taxes and licenses	**766,717**	1,710,962
Depreciation and amortization	**736,817**	539,126
Transportation and travel	**360,806**	103,364
Outsourced services	**300,100**	1,212,704
Utilities	**217,229**	266,520
Entertainment, amusement and recreation	**138,809**	132,550
Rent (Note 19)	**107,221**	37,772
Seminars and trainings	**38,325**	42,823
Supplies	**29,561**	59,052
Repairs and maintenance	**8,300**	84,850
Advertising	**5,896**	270,878
Insurance	**5,014**	59,914
Miscellaneous	**310,762**	1,435,459
	₱23,832,268	₱16,995,255

In 2023, the Group underwent a reorganization of workforce causing the transfer of salaries and wages of some employees from “Cost of services” to “General and Administrative Expenses” amounting to ₱4.06 million.

18. Finance Costs and Other Income (Charges)

Finance costs consists of:

	March 31	
	2023	2022
	(Unaudited)	(Unaudited)
Interest expense on loans payable (Notes 20 and 26)	**₱1,922,349**	₱1,905,564
Accretion of interest on lease liabilities (Note 19)	**12,058**	9,201
Interest income	**(255,267)**	(15,725)
	₱1,679,140	₱1,899,040

Other income (charges) consist of:

	March 31	
	2022	2022
	(Unaudited)	(Unaudited)
Bank charges	**₱145,913**	₱108,152
Loss on revaluation of cryptocurrencies	**17,464**	–
Gain on disposal of property and equipment	**(1,243)**	–
Foreign exchange gain	**(2,448,973)**	–
Other income	**931,021**	–
	(₱3,217,860)	₱108,152

19. Operating Lease Commitments

The Group entered into various lease agreements with third parties for the office spaces it occupies. Leases have terms ranging from one to three years and renewable subject to new terms and conditions to be mutually agreed upon by both parties.

Set out below are the movements and carrying amounts of right-of-use asset recognized as of March 31, 2023 and December 31, 2022:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost		
Balance at beginning of period	**₱2,014,185**	₱2,014,185
Addition	**2,064,803**	–
Expiration of lease contract and derecognition of right-of-use asset	**(2,014,185)**	–
Balance at end of period	**2,064,803**	2,014,185
Accumulated Depreciation		
Balance at beginning of period	**1,846,337**	839,244
Depreciation	**253,882**	1,007,093
Expiration of lease contract and derecognition of right-of-use asset	**(2,014,185)**	–
	86,034	1,846,337
	₱1,978,769	₱167,848

The rollforward analysis of lease liability as of March 31, 2023 and December 31, 2022 follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	**₱173,322**	₱1,192,005
Addition	**2,335,668**	–
Accretion of interest	**12,058**	23,104
Payments	**(534,784)**	(1,041,787)
Balance at end of period	**₱1,986,264**	₱173,322
Current lease liabilities	**₱989,307**	₱173,322
Noncurrent lease liabilities	**₱996,957**	₱–

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱0.11 and ₱0.03 million for the three-month periods ended March 31, 2023 and 2022, respectively (see Notes 16 and 17).

20. Related Party Transactions

The Group, in the normal course of business, has transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Terms and conditions of transactions with related parties
There have been no guarantees provided or received for any related party receivables and payables. These accounts are noninterest-bearing and are generally unsecured. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. Impairment assessment is undertaken through examination of the financial position of the related party and market in which this related party operates.

Details of transactions with related parties and their outstanding payables to a related party as at March 31, 2023 and December 31, 2022 follow:

			Amount/ Volume		Outstanding Balance			
					March 31, 2023		December 31, 2022	
	Terms	**Conditions**	**March 31, 2023**	March 31, 2022	**Receivable**	**Payable**	Receivable	Payable
Associate								
Advances	Noninterest-bearing	Unsecured, no impairment	**₱181,606**	₱131,810	**₱12,146,94**	**₱–**	₱11,965,188	₱–
Stockholders								
Interest	Noninterest-bearing	Unsecured	**1,897,349**	1,842,841	**–**	**28,968,575**		27,071,226
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	**–**	–	**–**	**149,904,689**	–	152,353,662
Advances (c-d)	One year; noninterest-bearing	Unsecured, no impairment	**–**	–	**77,000**	**117,678**	77,000	117,678
Affiliate								
Management fee (a)	Noninterest-bearing	Unsecured	**491,064**	–	**491,064**		2,745,498	–
Trade Receivables (b)	Noninterest-bearing	Unsecured	**1,042,826**	–	**5,911,755**		6,636,831	
Advances (c)	Noninterest-bearing	Unsecured	**–**	–		107,271	–	107,271
					₱18,626,613	**₱179,098,213**	₱21,424,517	₱179,649,837

Associates:

a. In 2017, the Parent Company entered into a US$100,000 noninterest-bearing short-term loan agreement with Altitude Games for working capital purposes. As at March 31, 2023 and December 31, 2022, receivable from Altitude Games amounted to ₱5.26 million. The Parent Company recognized allowance for impairment loss amounting to ₱2.63 million as at March 31, 2023 and December 31, 2022.

b. The Parent Company made payments on behalf of SDI for its outsourced services. As at March 31, 2023 and December 31, 2022, outstanding balance amounted to ₱6.89 million and ₱6.71 million. The Parent Company recognized allowance for impairment loss amounting to ₱3.12 million as of March 31, 2023 and December 31, 2022.

Stockholders:

a. In 2017, the Parent Company entered into a loan agreement with its directors amounting to US$1,945,758 or ₱97.15 million subject to 5% interest rate per annum. The loan is due and demandable. For the three-month periods ended March 31, 2023 and 2022, the Group recognized interest expense amounting to ₱1.24 million and ₱1.17 million, respectively, under "Other income (charges)" in its consolidated statements of comprehensive income. As at March 31, 2023 and December 31, 2022, outstanding loans and interest payable amounted to ₱100.60 million and ₱20.35 million, respectively, and ₱103.05 million and ₱19.11 million, respectively.

b. On April 29, 2019 the BOD approved the availment of loan from the Parent Company's founders with an aggregate amount of ₱150.00 million subject to 5.50% interest rate per annum for 3 years from date of agreement and may be renewed upon mutual agreement. The loan is due and demandable. For the three-month periods ended March 31, 2023 and 2022, the Group recognized interest expense amounting to ₱0.66 million and ₱0.67 million under "Other income (charges)" in its consolidated statements of comprehensive income.

   As at March 31, 2023 and December 31, 2022, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱8.62 million, respectively, and ₱49.30 million and ₱7.96 million, respectively.

c. Advances from stockholders pertain to cash advances for operational and corporate-related expenses paid by a stockholder in behalf of the Group. These are noninterest-bearing and are due and demandable. Outstanding payable as at March 31, 2023 and December 31, 2022 amounted to ₱0.12 million.

d. During the period, the Group made advances to stockholders amounting to ₱0.08 million. These are noninterest-bearing and are subject to future liquidation.

Affiliate:

a. The Parent Company entered into an agreement with CTX wherein the Parent Company agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. As at March 31, 2023 and December 31, 2022, outstanding receivable amounted to ₱ 0.49 million and ₱2.75 million, respectively.

b. In 2021, the Group entered into service agreement with CTX to provide staff augmentation services. The Group's revenue from these services for the three-month period ended March 31, 2023 and 2022 amounted to ₱1.04 million and nil, respectively. Outstanding receivable as of March 31, 2023 and December 31, 2022 amounted to ₱5.91 million and ₱6.64 million, respectively.

c. Advances from affiliate pertain to payments made by CTX to the Parent Company for operational purposes subject to future liquidation. Outstanding payable as at March 31, 2023 and December 31, 2022 amounted to ₱0.11 million and ₱0.11 million, respectively.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱6.30 million and ₱3.19 million for the three-month periods ended March 31, 2023 and 2022, respectively.

21. Income Taxes

Provision for (benefit from) income tax for the three-month periods ended March 31, 2023 and 2021 consists of:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Current	**₱97,937**	₱–
Deferred	**(4,266)**	–
Final	**51,054**	3,021
	₱144,725	₱3,021

22. Equity (Capital Deficiency)

The details of the number of shares as at March 31, 2023 and December 31, 2022 follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized shares	**5,000,000,000**	5,000,000,000
Par value per share	**₱0.10**	₱0.10
Issued shares	**2,116,744,034**	2,116,744,034
Treasury shares	**62,128,975**	62,128,975
Value of shares issued	**₱211,674,403**	₱211,674,403
Value of treasury shares	**(₱99,700,819)**	(₱99,700,819)

Capital Stock and Additional Paid-in Capital (APIC)

The balance of additional paid-in capital (APIC) as of March 31, 2023 and December 31, 2022 represents the excess of the subscription price over paid-up capital.

On March 2, 2018, the Parent Company issued 67,285,706 common shares by way of block sale to implement the amendments in a share purchase agreement related to acquisition of AOC. The shares were issued at ₱3.80 per share.

In 2020 and 2019, APIC reduced as a result of reissuance of treasury shares by the amount of ₱7.19 million and ₱6.98 million, respectively.

On January 20, 2022, the Parent Company's BOD approved the issuance of common shares to Mr. Nico Jose S. Nolledo, a founder and currently the Chairman of the board, in exchange of ₱100.00 million capital infusion. Total number of shares issued is at 181,818,182 for ₱0.55 per share. The transaction was executed on March 21, 2022.

Retained Earnings

Appropriations

Appropriated retained earnings which relates to buyback program of common shares in 2016 amounted to ₱115.46 million as of March 31, 2023 and December 31, 2022.

Dividends declaration

The Parent Company has no dividend declarations made in the three-month periods ended March 31, 2023 and 2022.

Equity Reserve

In 2016, the Parent Company purchased additional shares from noncontrolling interests of Xeleb, Xeleb Technologies and Storm. The transactions were accounted as an equity transaction since there was no change in control. Equity reserve recognized as a result of these transactions amounted to ₱43.72 million.

In 2017, a reserve amounting to ₱358.50 million was recognized for the payment resulting from amendments in the purchase price and the acquisition of the Parent Company's own shares related to the acquisition of AOC.

In 2019, the Parent Company purchased the remaining 33% stake from noncontrolling interests of Xeleb Technologies. The transaction was accounted as an equity transaction since there was nochange in control resulting to a reduction in equity reserve amounting to ₱36.09 million.

In 2019, a reduction in equity reserve amounting to ₱2.71 million was recognized due to the increase in noncontrolling interests of Storm Technologies from 43.40% to 48.69%.

Treasury Stock

As of March 31, 2023 and December 31, 2022, the Parent Company has 62,128,975 treasury shares amounting to ₱99.70 million.

Employee Stock Option Plan

The Parent Company's BOD, on January 20, 2016, and the stockholders, on May 11, 2016, approved the Employee Stock Option Plan (the Plan) of the Parent Company. Full time and regular employees of the Parent Company and those deemed qualified by the Compensation and Remuneration Committee from the names recommended by the Executive Committee are eligible to participate in the Plan. As at March 31, 2023, the Plan has been filed with and is pending approval of the SEC and PSE.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The Group's sources of capital follow:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Capital stock	**₱211,674,403**	₱211,674,403
Additional paid-in capital	**3,659,721,747**	3,659,721,747
Deficit	**(3,306,071,580)**	(3,293,137,923)
	₱565,324,570	₱578,258,227

The Group is not subject to externally-imposed capital requirements. The Group regards its equity as its primary source of capital. No changes were made in the capital management policies as at March 31, 2023 and December 31, 2022.

23. Loss Per Share

The Group's loss per share for the three-month periods ended March 31, 2023 and 2022 were computed as follows:

	March 31	
	2023 (Unaudited)	2022 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	**(₱12,933,657)**	(₱3,896,728)
Weighted average number of outstanding shares	**2,054,615,059**	1,892,998,897
Basic loss per share	**(₱0.01)**	₱–
Diluted loss per share	**(₱0.01)**	₱–

Loss per share is calculated using the consolidated net loss attributable to the equity holders of the Parent Company divided by weighted average number of shares. As of March 31, 2023, there's no potentially dilutive common shares.

24. Financial Instruments

<u>Fair Value Information</u>
The methods and assumptions used by the Group in estimating fair value of the financial instruments are as follows:

- Cash, accounts and other receivables (except for advances to employees which are subject to liquidation), refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and provision relating to PSA and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments, except for cash bond under other noncurrent assets. The difference between carrying amount and fair value is immaterial.

- Financial assets at FVOCI - Fair value is based on quoted prices published in the market.

- Financial assets at FVOCI (unquoted equity investments) - Fair values are based on the latest selling price available
- Financial assets at FVPL (unquoted debt investments) - Fair values are based on the comparable prices adjusted for specific market factors such as nature, industry, location and market recovery rates.

- Nontrade payable - Fair values are determined using prices in such transaction which still approximate the fair values at yearend.

The fair value of financial assets at FVOCI amounting to ₱1.20 million approximate their carrying value.

<u>Fair Value Hierarchy</u>
The Group uses the following three-level hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Cash, accounts and other receivables, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding "Taxes payable", "Deferred output VAT", and statutory payables included as "Others"), loans payable, liability on written put option, payable to former shareholders of a subsidiary, dividends payable and finance lease liability under other current liabilities were classified under Level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus certain spread.

Quoted financial assets at FVOCI amounting to ₱1.20 million as at March 31, 2023 and December 31, 2022 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at March 31, 2022 and December 31, 2022 were classified under Level 3 (see Note 8).

As at March 31, 2023 and December 31, 2022, there have been no reclassifications from Level 1 to Level 2 or 3 categories.

Financial Risk Management and Objectives and Policies

The Group's financial instruments comprise cash, financial assets at FVPL, accounts and other receivables, financial assets at FVOCI, refundable deposits under other current assets, cash bond under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, customer's deposit and statutory payables), loans payable, liability on written put option, contingent liability and finance lease liability under other current liabilities, which arise directly from operations. The main purpose of these financial instruments is to finance the Group's operations and to earn additional income on excess funds.

Exposure to credit risk, liquidity risk and foreign currency risk arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

There were no changes in the Group's risk management objectives and policies during the three-month periods ended March 31, 2023 and 2022.

The Group's risk management policies are summarized below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group's credit risk is primarily attributable to cash (excluding "cash on hand") and receivables. To manage credit risk, the Group monitors its exposure to credit risk on a continuous basis.

The Group's maximum exposure to credit risk is equal to the carrying values of its financial assets as at March 31, 2023 and December 31, 2022.

The credit quality of the financial assets was determined as follows:

Cash in banks, financial assets at FVPL, financial assets at FVOCI and other assets - based on the nature of the counterparty and the Group's rating procedure. These are held by counterparty banks with minimal risk of bankruptcy and are therefore classified as high grade.

Accounts and other receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three defaults in payment; and low grade pertains to receivables with more than three defaults in payment.

Unquoted AFS financial assets are unrated.

Liquidity Risk
Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirement, finance capital expenditures and service maturing debts. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds and available short-term and long-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD.

The maturity profile of the Group's financial assets and financial liabilities at March 31, 2023 and December 31, 2022 are based on contractual undiscounted payments.

As at March 31, 2023 and December 31, 2022, except for its loans payable, the Group's financial assets and financial liabilities have a maturity of less than one year.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans payable with variable interest rates.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table shows the foreign currency-denominated monetary assets and their respective Philippine peso equivalent as of March 31, 2023 and December 31, 2022.

	March 31, 2023		December 31, 2022	
	Original currency	**Peso equivalent**	Original currency	Peso equivalent
Cash in bank				
US Dollar (USD)	**$65,285**	**₱3,553,486**	$40,671	₱2,267,609
Trade receivables				
US Dollar (USD)	**193,831**	**10,550,215**	191,894	10,699,072
Foreign currency denominated assets		**14,103,701**		12,966,681
Trade Payables				
US Dollar (USD)	**27,032**	**1,471,334**	29,199	1,628,014
Net foreign currency denominated financial instruments		**₱12,632,367**		₱11,338,667

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	March 31, 2023	December 31, 2022
USD to ₱	**₱54.43**	₱55.76

25. Segment Reporting

The industry segments where the Group operates follow:

- Mobile consumer services - includes airtime management, content development and management and marketing and advertising solutions
- Enterprise services - includes platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This also includes IT staff augmentation and various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services – includes consultancy services in the field of human resource management, trading in general,

sourcing for and supplying of goods to import and export goods

The following tables regarding business segment revenue and profit information for the three-month periods ended March 31, 2023 and 2022:

March 31, 2023 (Unaudited)

	Mobile consumer services	**Enterprise Service**	**Other services**	**Intersegment Adjustments**	**Consolidated**
INCOME					
Service income	**₱1,403,540**	**₱43,126,789**	**₱12,079,447**	**(₱10,294,900)**	**₱46,314,876**
COST AND EXPENSES	**(3,156,584)**	**(51,408,881)**	**(13,624,705)**	**10,294,900**	**(57,895,270)**
Equity in net losses of associates	**–**	**–**	**–**	**(3,714,345)**	**(3,714,345)**
Other expenses	**462,405**	**1,076,813**	**(498)**	**–**	**1,538,720**
	(1,290,639)	**(7,205,279)**	**(1,545,756)**	**(3,714,345)**	**(13,756,019)**
Provision for (benefit from) income tax	**(10,459)**	**(134,266)**	**–**	**–**	**(144,725)**
Net income (loss)	**(₱1,301,098)**	**(₱7,339,545)**	**(₱1,545,756)**	**(₱3,714,345)**	**(₱13,900,744)**
Net loss attributable to:					
Equity holders of Xurpas Inc.					**(₱12,933,657)**
Noncontrolling interests					**(967,087)**
					(₱13,900,744)

March 31, 2022 (Unaudited)

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱8,586,784	₱30,873,465	₱9,979,669	(₱1,741,071)	₱47,698,847
COST AND EXPENSES	(13,927,115)	(32,076,903)	(11,939,982)	1,741,071	(56,202,929)
Equity in net losses of associates	–	–	–	5,436,479	5,436,479
Other expenses	(810,662)	(1,191,898)	(4,632)	–	(2,007,192)
	(6,150,993)	(2,395,336)	(1,964,945)	5,436,479	(5,074,795)
Provision for (benefit from) income tax	(1,081)	(1,940)	–	–	(3,021)
Net income (loss)	(₱6,152,074)	(₱2,397,276)	(₱1,964,945)	₱5,436,479	(₱5,077,816)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱3,896,728)
Noncontrolling interests					(1,181,088)
					(₱5,077,816)

26. Notes to Consolidated Statement of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	January 1, 2023	**Cash flows**	**Non-cash changes**	**Foreign exchange movement**	**March 31, 2023**
Loans payable	**₱38,384,416**	**(₱50,000)**	**₱–**	**₱–**	**₱38,334,416**
Lease liabilities	**173,322**	**(534,784)**	**2,347,726**	**–**	**1,986,264**
Advances from stockholders	**152,353,662**	**–**	**–**	**(2,448,973)**	**149,904,689**
Total liabilities from financing activities	**₱190,911,400**	**(₱584,784)**	**₱2,347,726**	**(₱2,448,973)**	**₱190,225,369**

	January 1, 2022	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2022
Loans payable	₱38,793,070	(₱408,654)	₱–	₱–	₱38,384,416
Lease liabilities	1,192,005	(1,041,787)	23,104	–	173,322
Advances from stockholders	143,563,235	–	8,790,427	–	152,353,662
Total liabilities from financing activities	₱183,548,310	(₱1,450,441)	₱8,813,531	₱–	₱190,911,400

27. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022 were approved and authorized for issue by the BOD on May 15, 2023.

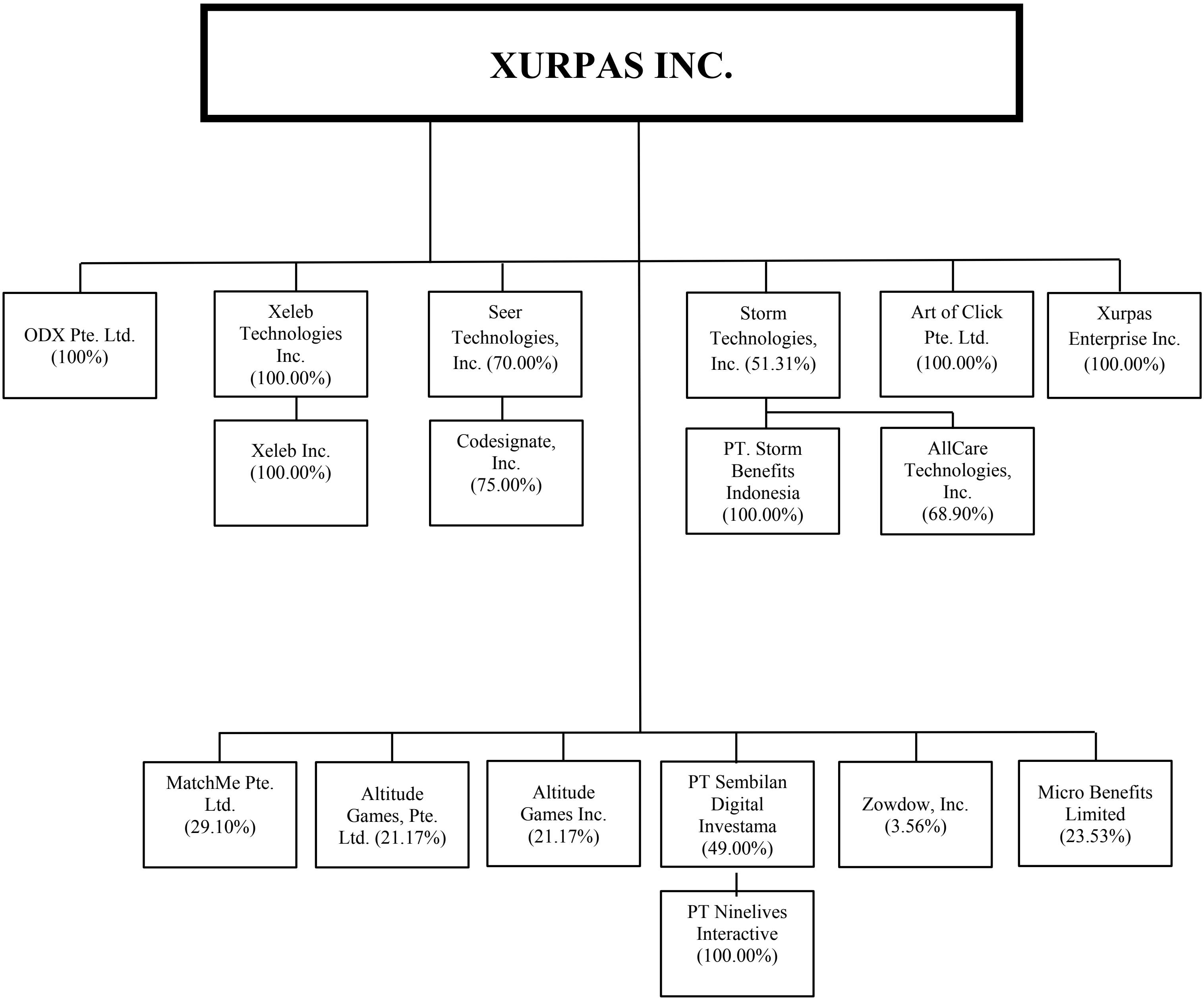
AGING OF RECEIVABLES

The aging analysis of accounts receivable as of March 31, 2023 presented per class follows:

		Days past due				
	Current	1 to 30 days	31 to 60 days	61 to 90 days	>90 days	Total
Trade receivable	₱31,980,809	₱34,787,883	₱6,751,477	₱3,063,605	₱50,510,486	₱127,094,259
Receivable from related parties	18,626,613	–	–	–	–	18,626,613
Advances to employees	2,313,921	–	–	–	–	2,313,921
Others	14,905,984	–	–	–	–	14,905,984
	₱67,827,327	₱34,787,883	₱6,751,477	₱3,063,605	₱50,510,486	₱162,940,777

XURPAS INC. AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES



Note: Xeleb Technologies Inc. and Xeleb Inc. are in the process of liquidation

XURPAS INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Unappropriated Retained Earnings of the Parent Company, beginning	(₱3,159,869,573)
Less adjustments:	
Impairment loss	2,617,451,802
Unrealized foreign exchange gain -net (except those attributable to Cash	(3,836,793)
Unappropriated Retained Earnings, as adjusted, beginning	(542,417,771)
Net Income based on the face of financial statement	(5,383,383)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(2,448,973)
Fair value adjustment (M2M gains)	–
Impairment loss	–
Net Income Actual/Realized	(7,832,356)
Less: Other adjustments	
Dividend declarations during the period	–
Reversal of appropriation for share buy-back transactions	–
Reversal of appropriation for dividend declaration	–
Appropriations during the year	–
	–
Unappropriated retained earnings, end available for dividend distribution	₱–

XURPAS INC. AND SUBSIDIARIES

FINANCIAL RATIOS

Financial Ratios	March 31, 2023	December 31, 2022
A. Current ratios		
Current ratios	37%	37%
Quick ratios	33%	34%
B. Debt-to-equity ratios	594%	597%
C. Asset-to-equity ratios	567%	568%
D. Interest rate coverage ratios	(611%)	(642%)
E. Profitability ratios		
Net income (loss) margin	(28%)	(23%)
Gross margin	26%	25%
Operating margin	(24%)	(23%)
Return on assets	(2%)	(9%)
Return on equity	(12%)	(49%)

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

For the first quarter of 2023, total revenues slightly decreased by 3% to ₱46.31 million, from ₱47.70 million the same period of 2022. This is primarily a result of the decline in the mobile consumer services business, which was foreseen, as the Company pivoted towards expansion of its enterprise services since 2020. Revenues under enterprise services, increased by 6%, from₱30.87 million in 1Q2022 to ₱32.83 million in 1Q2023. There has been a drop of revenues under IT staff augmentation for the quarter but was offset by the greater increase in revenues for custom development and business solutions and revenues generated from the successful entry to the Web 3.0 business which began second half of 2022. This is aligned with the Company's plans to grow its products and services and seize opportunities brought by Web 3.0. Meanwhile, AllCare, under other services, also generated an impressive increase in revenues of 21% from ₱9.98 million in 1Q2022 to ₱12.08 million in 1Q2023.

As part of its strategy for growth and expansion, the company incurred additional operational expenses, which continued in the first quarter of 2023. The Group's consolidated expenses during the three-month period ended March 31, 2023, amounted to ₱57.90 million, a 3% increase from the same period of the previous year at ₱56.21 million. This includes investing in additional management and manpower while simultaneously improving its marketing efforts and sales capabilities. Likewise, Xurpas recently announced that it will seek new market opportunities in Australia, wherein it plans to offer enterprise products and services. Xurpas Software, a new subsidiary, is also expected to significantly enhance the company's presence and services in the digital business transformation software solutions sector. With this, Xurpas is positioned for success in the fast-evolving technology landscape, leveraging its competitive advantage of having a team of expert senior technology professionals led by industry veterans, combined with a young and dynamic workforce.

Xurpas also shared a portion of the losses incurred by its associates amounting to ₱3.71 million loss this quarter compared with the ₱5.44 million income of the same period of last year. By the end of Q1 2023, the Company generated a ₱13.76 million pre-tax loss and ₱13.90 million net loss. The Company was able to yield substantial gains from the improvement of the foreign exchange rates and increase in crypto prices as of the end of the first quarter of 2023. This caused the company to earn ₱15.02 million other comprehensive income for the quarter as opposed to the ₱10.73 million other comprehensive loss in the same period of last year, a 240% improvement. This resulted into a ₱1.11 million total comprehensive income.

On April 6, 2023, Altitude Games has approved the sale of its assets, including Intellectual Property and licenses. Xurpas Inc., owning 21.17% of Altitude, will receive proceeds from the sale and discharge of liabilities, bringing additional cash flow to the Company which would allow further investment on its focused businesses – maximizing demand on IT staff augmentation, growing its products and services under custom software development, business solutions and Web 3.0, and pursue new growth opportunities. The company is developing customized AI applications and integrations that can provide businesses with valuable insights, streamline processes, and enhance overall efficiency across various industries.

Xurpas will continue to streamline its operations and prioritize the expansion of its core and future businesses which will continue to aim to provide vast innovative solutions to its customers while expanding its global footprint.

Financial Summary

Key Financial Data In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1.40	3%	6.85	14%	(5.44)	(79%)
Enterprise services	32.83	71%	30.87	65%	1.96	6%
Other services	12.08	26%	9.98	21%	2.10	21%
Total Revenues	**46.31**	**100%**	**47.70**	**100%**	**(1.38)**	**(3%)**
Cost of Services	34.06	74%	39.21	82%	(5.14)	(13%)
Gross Profit	**12.25**	**26%**	**8.49**	**18%**	**3.76**	**44%**
General and Administrative Expenses	23.84	51%	17.00	36%	6.84	40%
Equity in Net Losses (Earnings) of Associates	3.71	8%	(5.44)	(11%)	9.15	168%
Finance Costs and Other Charges (Income) - Net	(1.54)	(3%)	2.01	4%	(3.55)	(177%)
Loss Before Income Tax	**(13.76)**	**(30%)**	**(5.08)**	**(11%)**	**8.68**	**171%**
Provision for Income Tax	0.14	0%	0.00	0%	0.14	4,691%
Net Loss	**(13.90)**	**(30%)**	**(5.08)**	**(11%)**	**8.82**	**173%**
Other Comprehensive Income (Loss)	15.02	32%	(10.73)	(22%)	25.74	240%
Total Comprehensive Income (Loss)	**1.11**	**2%**	**(15.81)**	**(33%)**	**16.93**	**107%**

	Mar. 31, 2023 Amount	Dec. 31, 2022 Amount	Amount Change	% Increase (Decrease)
Total Assets	613.43	602.66	10.77	2%
Total Liabilities	643.02	633.36	9.66	2%
Total Capital Deficiency	(29.58)	(30.70)	(1.11)	(4%)

The Group's total revenue in the first quarter of 2023 was ₱46.31 million, a slight 3% decrease from the same period of 2022 mainly caused by the decrease in revenues under mobile consumer services. Majority of the revenues is from enterprise services which generated ₱32.83 million or 71% of total revenue followed by other services and mobile consumer services which generated ₱12.08 million and ₱1.40 million, respectively.

The blended cost of services went down from ₱39.21 million in March 31, 2022 to ₱34.06 million in March 31, 2023. There were reclassifications made between the cost of services (COS) and general and administrative (GAEX) salaries and wages accounts due to a company reorganization initiated in 2022, setting up of business units and cost centers internally, which changed their classifications in first quarter of 2023.

Gross profit margin on total revenues is at ₱12.25 million for the period ended March 31, 2023.

General and administrative expenses (GAEX) increased by 40%, from ₱17.00 million for the first quarter of 2022 to ₱23.84 million for the same period in 2023. The increase is caused by the reclassification from COS to GAEX salaries and wages as previously mentioned, and additional management and manpower and sales and marketing initiatives, which are imperative to continuously achieve growth and to be able to implement expansion as part of the Company's plan.

The Company also shares in the recorded net losses of the associate companies it has invested in, which amounted to ₱3.71 million for the three-month period ended March 31, 2023 (a 168% decline from equity in net earnings of associates first quarter of 2022).

By the end of Q1 2023, the Company generated a ₱13.76 million pre-tax loss, ₱13.90 million net loss and ₱1.11 million total comprehensive income. The financial results after the net loss shifted to a total comprehensive income due to the other comprehensive income recorded for the period amounting to ₱15.02 million as a result of the changes in foreign exchange rates, favorable to the Company, and upsurge of crypto prices by the end of the first quarter of 2023.

Consolidated total assets increased merely by 2% from ₱602.66 million for the period ended December 31, 2022, to ₱613.43 million as of March 31, 2023. Consolidated total liabilities also slightly increased by 2% from ₱633.36 million as of December 31, 2022, to ₱643.02 million on March 31, 2023.

Lastly, consolidated total capital deficiency went down by ₱1.11 million on March 31, 2023, from December 31, 2022, reducing the deficiency to ₱29.58 million.

Segment Financial Performance

For the three-month period ended March 31, 2023 in PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Total Service Revenues	**1.40**	**43.12**	**12.08**	**(10.29)**	**46.31**
Operating expenses	3.16	51.39	13.64	(10.29)	57.90
Equity in net earnings of associates	-	-	-	3.71	3.71
Other charges income- net	(0.46)	(1.08)	-	-	(1.54)
Total Expenses	**2.70**	**50.31**	**13.64**	**(6.58)**	**60.07**
Operating Loss	**(1.30)**	**(7.19)**	**(1.56)**	**(3.71)**	**(13.76)**
Provision for income tax	(0.01)	(0.13)	-	-	(0.14)
Net Loss	**(1.31)**	**(7.32)**	**(1.56)**	**(3.71)**	**(13.90)**

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the three-month period ended March 31, 2023, the enterprise services generated the majority of the total revenues amounting to ₱43.12 million. This is followed by other services which amounted to ₱12.08 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱1.40 million.

Profitability

For the three-month period ended March 31, 2023, compared with the three-month period ended March 31, 2022.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2023, amounted to ₱46.31 million, a decrease of 3% from ₱47.70 million the same period of the previous year.

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

Segment	Description	Subsidiaries
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	● Xurpas Enterprise ● Xurpas Parent Company ● Seer
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	● Xurpas Parent Company

Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits –insurance, health checks and wellness.	• AllCare

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	32.83	71%	30.87	65%	1.96	6%
Mobile consumer services	1.40	3%	6.85	14%	(5.44)	(79%)
Other services	12.08	26%	9.98	21%	2.10	21%
Total Revenues	**46.31**	**100%**	**47.70**	**100%**	**(1.38)**	**(3%)**

For the first quarter of 2023, enterprise services generated the most revenue at ₱32.83 million or 71% of total revenues. The 6% increase is primarily steered by the management's directive to maximize and expand the growth in its services. On the other hand, revenues generated from other services (which accounts for 26% of company revenues) went up 21%, from ₱9.98 million as of March 2022 to ₱12.08 million in March 2023. This is due to the ongoing expansion of AllCare, a majority-owned subsidiary of Storm Technologies. Lastly, as the Company shifted its focus on the expansion of its enterprise services, it has been expected that the revenues under mobile consumer will decline. The latter comprises 3% of the revenues or at ₱1.40 million which decreased from the prior period by 79%.

The enterprise services segment is comprised of the following business units:

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Enterprise Services						
IT staff augmentation	14.37	44%	23.30	75%	(8.92)	(38%)
Custom software development	10.33	31%	7.08	23%	3.25	46%
Web 3.0 services	6.87	21%	-	0%	6.87	n.a.
Business solutions	0.76	2%	0.49	2%	0.28	56%
Others	0.49	1%	-	0%	0.49	n.a.
Total Enterprise Services	**32.83**	**100%**	**30.87**	**100%**	**1.96**	**6%**

As previously discussed, there was a 38% decline in IT staff augmentation revenues, but was offset by the greater increase in custom software development and business solutions by 46% and 56% respectively. The Company also successfully started providing Web 3.0 services, as part of its initiatives, in the second half of 2022. For the first quarter of 2023, Web 3.0 services contributed ₱6.87 million in revenues.

Expenses

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	34.06	59%	39.21	70%	(5.14)	(13%)
General and Administrative Expenses	23.84	41%	17.00	30%	6.84	40%
Total Expenses	**57.90**	**100%**	**56.21**	**100%**	**1.69**	**3%**

The Group's consolidated expenses during the three-month period ended March 31, 2023, amounted to ₱57.90 million, a 3% increase from the same period of the previous year at ₱56.21 million. For the first three months of 2023, cost of services accounted for the bulk of expenses, totaling ₱34.06 million or 59% of the

Group's consolidated expenses. For the same period in 2022, cost of services amounted to ₱39.21 million, which comprised 70% of overall expenses.

There were reclassifications made between the cost of services (COS) and general and administrative (GAEX) salaries and wages accounts due to a company reorganization initiated in 2022, setting up of business units and cost centers internally which changed their classifications in first quarter of 2023. Increase in overall expenses was a result of additional management and manpower and sales and marketing initiatives, which are imperative to continuously achieve growth and to be able to implement expansion as part of the Company's plan.

Cost of Services

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.08	56%	24.66	63%	(5.58)	(23%)
Outside services	11.10	33%	7.19	18%	3.92	55%
Outsourced services	1.94	6%	5.63	14%	(3.69)	(66%)
Webhosting	1.14	3%	0.72	2%	0.42	57%
Others	0.80	2%	1.01	3%	(0.21)	(21%)
Total Expenses	**34.06**	**100%**	**39.21**	**100%**	**(5.14)**	**(13%)**

The cost of services for the first quarter of 2023 amounted to ₱34.06 million, a decrease from the same period of the previous year of ₱39.21 million. 56% of cost of services came from salaries and wages at ₱19.08 million and is a 23% decrease from the prior year of the same period. This is a result of the reclassification from COS to GAEX salaries and wages due to internal reorganization. Outside services also increased by 55% from ₱7.19 million in 1Q2022 to ₱11.10 million in 1Q2023, due to the increase in benefits and claims resulting from the consistent growth in revenue of AllCare during the period.

General and Administrative Expenses (GAEX)

In PhP Millions	For the three-month periods ended March 31					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	17.73	74%	7.47	44%	10.26	137%
Dues and subscription	1.12	5%	0.34	2%	0.77	225%
Marketing and promotions	1.02	4%	0.76	4%	0.26	34%
Professional fees	0.93	4%	2.46	14%	(1.52)	(62%)
Taxes and licenses	0.77	3%	1.71	10%	(0.94)	(55%)
Others	2.27	10%	4.26	26%	(1.99)	(47%)
Total Expenses	**23.84**	**100%**	**17.00**	**100%**	**6.84**	**40%**

General and administrative expenses relating to the Group's operations, for the first three months of 2023 amounted to ₱23.84 million, higher by 40% compared to previous year's same period level of ₱17.00 million. Salaries and wages accounted for 74% in the first quarter of 2023 and increased by 137% vis-à-vis same period in 2022 caused by the reclassification from COS to GAEX salaries and wages as previously discussed and additional management and manpower and sales and marketing initiatives which are imperative to implement the Company's growth and expansion plans. Dues and subscriptions and marketing and promotions increased by 225% and 34% respectively. The increase is due to broader marketing efforts for expansion and increased memberships in professional organizations incurred for this first quarter compared with same period of last year. On the other hand, professional fees, taxes and licenses and other expenses accounting for 4%, 3%, and 10% of expenses, respectively, decreased for the period.

Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the three-month period ended March 31, 2023, amounted to ₱3.71 million, 168% lower than the ₱5.44 million net earnings for the comparable period. The associates that generated losses for the period are Altitude SG and MicroBenefits while 9Lives, on the other hand, recorded earnings.

Finance Costs– net

For the quarter ended March 31, 2023 and 2022, the Group posted a slight 12% decrease in finance costs, net from ₱1.90 million to ₱1.68 million, respectively. This is due to higher interest income earned for the first quarter of 2023 than the same period of last year.

Other Income – net

For the first three months of 2023, the Group recognized other income, net amounting to ₱3.22 million. This account mainly consists of foreign exchange gain amounting to ₱2.45 million which is the result of the strengthening of the Philippine peso vs. the US dollar and Singapore dollar, as of the end of the period, and other income incurred due to support services rendered amounting to ₱0.93 million. This is partially offset by unrealized loss on revaluation and bank charges incurred by the end of the quarter.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2023, was ₱13.76 million. The net loss before taxes for the Group increased by 171% or ₱8.68 million from the same period ended March 31, 2022, which posted a figure of ₱5.08 million.

Provision for Income Tax

The Group recognized ₱0.14 million provision for income tax for the three- month period ended March 31, 2023 vis-à-vis ₱3,021 provision in March 31, 2022.

Net Loss

The Group posted a consolidated net loss of ₱13.90 million for the three-month period ended March 31, 2023, an increase of 174% from the previous year's same period of ₱5.08 million.

Other Comprehensive Income

In March 2023, the Group posted a ₱15.02 million other comprehensive income. This figure was a 240% improvement from March 2022 of ₱10.73 million other comprehensive loss due to a gain on cumulative translation adjustment and revaluation surplus as a result of Peso appreciation vs USD and SGD and increase in cryptocurrency prices as of end of the first quarter.

	Foreign exchange rates		**Cryptocurrency price**	
	USD to PhP	**SGD to PhP**	**BTC**	**ETH**
December 31, 2022	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197
March 31, 2023	USD1.00 to ₱54.43	SGD1.00 to ₱41.00	USD28,474	USD1,822

Total Comprehensive Income (Loss)

As of March 31, 2023, the Group's total comprehensive income improved by 107% brought by the other comprehensive income generated for the quarter. This amounts to ₱1.11 million as of end of the first quarter compared to total comprehensive loss of ₱15.81 million for the three-month period ended March 31, 2022.

<u>Financial Position</u>

As of March 31, 2023, compared to December 31, 2022.

Assets

Cash

The Group's consolidated cash amounted to ₱47.88 million for the three-month period ended March 31, 2023, a net decrease of 24% or ₱15.43 million from consolidated cash of ₱63.31 million as of December 31, 2022 which is attributed to the additional operating expenses incurred for the first quarter which is aligned with Company's expansion plan and increase in trade receivables for the period.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱130.15 million and ₱96.67 million as of March 31, 2023, and December 31, 2022, respectively. The increase of ₱33.48 million was mostly attributed to the increase of trade receivables pertaining to Globe Telecom, a major client under enterprise services segment. Out of the consolidated accounts and other receivables, 86% or ₱111.98 million pertains to trade receivables – net and ₱53.94 million or 48% of this amount is collectible from Globe Telecom.

Contract Assets

The Group's consolidated contract assets totaling ₱49.30 million as of December 31, 2022, decreased by ₱26.24 million as of March 31, 2023, to ₱23.06 million which was majorly caused by the decline in the account balance pertaining to Globe Telecom.

Other Current Assets

As of March 31, 2023, the Group's consolidated other current assets totaled ₱25.01 million, an increase of ₱9.94 million or 66% from its previous level on December 31, 2022 of ₱15.07 million. The increase in this account was caused by higher prepaid expenses of AllCare which is usually the case at the beginning of each year when AllCare fund its clients' health benefit plans and will eventually be charged to expense upon their utilization.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2023, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2022, which both amounted to ₱1.20 million.

Investment and Advances to Associates

As of March 31, 2023, the Group's consolidated investment in associates increased from ₱294.97 million during December 31, 2022, to ₱296.14 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱232.87 million), Altitude Games Pte Ltd. (₱20.13 million), and SDI (₱21.05 million). Further, advances to SDI as of March 31, 2023 amounted to ₱22.08 million.

Property and Equipment

The Group's consolidated property and equipment was ₱5.11 million on March 31, 2023, vis-à-vis ₱5.61 million as of December 31, 2022. The Group acquired property and equipment amounting to 0.32 million and 0.54 million during the three-month period ended March 31, 2023, and March 31, 2022, respectively. Depreciation expense amounted to 0.48 million and 0.29 million for the three-month periods ended March 31, 2023, and 2022, respectively.

Right-of-use (ROU) Asset

Right-of-use asset as of March 31, 2023 and December 31, 2022 amounted to ₱1.98 million and ₱0.17 million, respectively. In the first quarter of the year, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional ROU asset amounting to ₱2.06 million. Depreciation expense recognized amounted to ₱0.25 million for the first quarter of 2023.

Intangible Assets

As of March 31, 2023, intangible assets amounted to ₱69.26 million which decreased from December 31, 2022, balance of ₱62.84 million. The components are goodwill, developed software, and cryptocurrencies.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2023, goodwill was at ₱48.22 million.
- Developed software pertains to corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of March 31, 2023, net book value of developed software was ₱1.30 million. Amortization of developed software for the three-month period ended March 31, 2023, amounted to ₱0.05 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as of March 31, 2023, valued at ₱19.73 million. Additions during the period amounted to ₱1.54 million while cryptocurrencies with carrying value of ₱2.66 million were disposed of. Net revaluation surplus recognized amounted to ₱7.31 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱13.64 million as of March 31, 2023. This figure is 1% higher than the ₱13.52 million figure posted as of December 31, 2022.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱387.39 million as of March 31, 2023. It decreased by ₱0.71 million from the December 31, 2022, figure of ₱386.68 million mainly due to the decline of payable to third parties and accrued expenses.

The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Advances from Stockholders

This account pertains to the loan agreements entered by the Parent Company in 2017 and 2019 amounting to ₱149.90 million and ₱152.35 million as of March 31, 2023 and December 31, 2022, respectively. The decrease was brought about by foreign exchange revaluation of one of the loan agreements which is denominated in US Dollar.

Loans Payable

The Group recorded ₱35.00 million in current loans on March 31, 2023, and ₱33.82 million as of December 31, 2022. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term. The increase was due to the reclassification from noncurrent liability of Storm loans payable that will fall due in the first quarter of 2024.

Contract Liabilities

The Group's consolidated contract liabilities as of March 31, 2023, amounted to ₱44.09 million, an increase of 28% from the December 31, 2022, figure of ₱34.45 million. The increase in this account was the result of the growing HMO business of AllCare.

Current Portion of Lease Liability

The Group recognized a lease liability for its office space in Antel amounting to ₱1.99 million. In the first quarter of the year, the Parent Company renewed the lease contract for its office space in Antel for another two years, thereby, recognizing additional lease liability amounting to ₱2.34 million. Accretion of interest and payments made amounted to ₱0.01 million and ₱0.53 million, respectively.

Current portion of the lease liability as of March 31, 2023 amounted to ₱0.99 million.

Loan Payable – net of current portion

This account pertains to the noninterest bearing loan agreement entered by Storm amounting to ₱17.32 million. The loan is payable in monthly installments over one (1) to five (5) years. As of March 31, 2023, outstanding balance of the loan amounted to ₱11.57 million of which ₱3.34 million was classified as noncurrent.

Lease Liabilities – net of current portion

This account pertains to the Parent Company's leased office space in Antel. Noncurrent portion of the lease liability as of March 31, 2023 amounted to ₱1.00 million.

Pension Liability

The accrued pension of the Group was at ₱21.31 million as of March 31, 2023, which was unchanged from its levels on December 31, 2022.

Capital Deficiency

Total Capital Deficiency

The Group recorded total capital deficiency of ₱29.58 million as of March 31, 2023, a 4% improvement from December 31, 2022 with a figure of ₱30.70 million. The decrease is due to the total comprehensive income recognized for the period.

Liquidity and Capital Resources

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

<u>Cashflows</u>

	For the three-month periods ended March 31	
	2023	2022
In PhP Millions	**Amount**	**Amount**
Net cash used in Operating Activities	(20.60)	(12.18)
Net cash provided by Investing Activities	2.41	1.45
Net cash provided by (used in) Financing Activities	(0.05)	99.86
Effect of foreign currency exchange changes in cash	2.81	(5.20)
Net increase (decrease) in cash	(15.43)	83.93
Cash at beginning of period	63.31	35.95
Cash at end of period	**47.88**	**119.88**

Cash Flows from Operating Activities

For the first three months of 2023, operating loss before changes in working capital of ₱10.01 million was coupled with the corresponding increase in receivables, other assets and contract liabilities and decrease in contract assets and account and other payables resulted in ₱20.68 million net cash used for operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash used in operating activities of ₱20.60 million.

Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2023 was ₱2.41 million compared to ₱1.45 million used in the same period of 2022. This comprises proceeds from sale of cryptocurrencies and property and equipment amounting to ₱2.66 million and ₱0.06 million, This was decreased by acquisitions of property and equipment for the period.

Cash Flows from Financing Activities

The cash flow used in financing activities for the first quarter of 2023 was ₱0.05 million which decreased from net cash provided of ₱99.86 million in the same period in 2022 The cash flow provided in financing activities in Q1 2022 were mainly from the proceeds of the equity infusion. For the first quarter of 2023, this is only composed of payments to loans payable amounting to ₱0.05 million.

Capital Expenditure

The Group's capital expenditures for the three-month period ended March 31, 2023, and the year ended December 31, 2022, amounted to ₱2.67 million and ₱5.34 million, respectively.

Key Financial Data In PhP Millions	March 31, 2023 Additions	December 31, 2022 Additions
Right-of-use Assets	2.06	-
Developed software	0.28	1.10
IT Equipment	0.32	4.07
Office Equipment	-	0.17
	2.67	**5.34**

Key Performance Indicators

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

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

In Percentage	As of and for the three-month periods ended March 31		As of and for the year ended December 31, 2022
	2023	2022	
Liquidity Ratios			
Current Ratio	**37%**	42%	37%
Quick Ratio	**33%**	38%	34%
Asset-to-Equity Ratio	**567%**	364%	568%
Profitability Ratios			
Net Loss Margin	**(28%)**	(8%)	(23%)
Gross Margin	**26%**	18%	25%
Operating Margin	**(24%)**	(5%)	(23%)
Return on Total Assets	**(2%)**	(1%)	(9%)
Return on Equity	**(12%)**	3%	(49%)
Debt Ratios			
Debt-to-Equity Ratio	**5.94x**	3.24x	5.97x
Interest Coverage Ratio	**(6.11x)**	(1.65x)	(6.42x)

Liquidity Ratios

Current ratio as of March 31, 2023 and December 31, 2022 was 37%. Meanwhile, quick ratio was at 33% and 34% as of March 31, 2023 and December 31, 2022, respectively, a mere 1% decrease.

Asset-to-Equity Ratio

There was a decrease in the asset-to-equity ratio from 568% as of December 31, 2022, to 567% on March 31, 2023 due to slight increase in assets for the period.

Profitability Ratios

Profitability ratios such as net loss margin, operating loss margin and return on total assets increased to (28%), (24%) and (2%) respectively from their prior year ratios. This is due to the higher net loss generated this first quarter of 2023 compared with the same period of last year. Return on equity decreased to (12%) compared with same period of the prior year due to the capital deficiency position as of Q1 2023.

Debt Ratio

Debt-to-equity on March 31, 2023, slightly decreased to 5.94x from 5.97x as of December 31, 2022. The decrease in the gearing ratio was attributed to the increase in equity attributable to equity holders of the Parent Company. Interest coverage ratio as of March 31, 2023, was at -6.11x compared to -1.65x on March 31, 2022.

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

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

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds, obtain additional advances from its stockholders, and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no material 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. The sale of the assets of Altitude Games Pte. Ltd (SG Entity) has been approved where Xurpas Inc. has a 21.17% stake. Upon effectivity of sale, Xurpas will receive the proceeds from the sale and discharge of corresponding liabilities. Aside from this, there are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

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

vii. Seasonality. The Group is not subject to the seasonality.

PART II--OTHER INFORMATION

There are no other information for this period not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, on 15 MAY 2023.

Issuer: **XURPAS INC.**

By:

JONATHAN GERARD A. GURANGO
Chairman of the Board
and Chief Executive Officer

ALEXANDER D. CORPUZ
Chief Finance Officer

ANNEX "G"
PREVIOUS ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT OF XURPAS INC.

DATE OF MEETING	MATTERS APPROVED
July 7, 2022	Approval of the Definitive Information Statement
August 15, 2022	Approval of Quarterly Report
October 12, 2022	On October 12, 2022, Atty. Mark S. Gorriceta resigned as Chief Compliance Officer of Xurpas Inc. (the "Company"). He will remain as Corporate Secretary and Chief Legal Officer of the Company. On the same date, the Board of Directors of the Company approved the appointment of Atty. Angela J. Along as the Company's Chief Compliance Officer and Chief Risk Officer, effective immediately.
October 18, 2022	the Board of Directors of Xurpas Inc. approved the amendment to its Material Related Party Transactions Policy to comply with SEC Memorandum Circular No. 10, series of 2019
November 14, 2022	On November 14, 2022, the Board of Directors of Xurpas Inc. approved the following matters: 1. Financial Statements for the period ended September 30, 2022; 2. Appointment on October 12, 2022, Atty. Mark S. Gorriceta resigned as Chief Compliance Officer of Xurpas Inc. (the "**Company**"). He will remain as Corporate Secretary and Chief Legal Officer of the Company. On the same date, the Board of Directors of the Company approved the appointment of Atty. Angela J. Along as the Company's Chief Compliance Officer and Chief Risk Officer, effective immediately. 3. Approval of Amended Audit Committee Charter to include the functions relating to Related Party Transactions; and 4. Appointment of New Independent Director, Mr. Christopher P. Monterola.
December 13, 2022	The Board of Directors of Xurpas Inc. approved the following matters: 1. Incorporation of a wholly-owned subsidiary under the laws of the Republic of the Philippines under the name of XURPAS SOFTWARE INC., or any other name as may be approved by the Securities and Exchange Commission (SEC), with the primary purpose of designing, developing, testing, building, marketing, distributing, maintaining, supporting, customizing, selling and/or re-selling applications, games, software, cybersecurity software tools, digital solutions, whether internet, mobile, or other handheld applications, portals, hardware and other related products and services, except internet provider services, both for proprietary and custom development purposes;

	2. Separating the Board Risk Oversight and Corporate Governance Committees; and 3. Appointment of new members of the board-level committees.
February 10, 2023	The Board of Directors of Xurpas Inc. approved the establishment of a wholly owned subsidiary in Australia. The Company intends to establish the Xurpas brand in Australia through a new subsidiary. With this, the Company will establish a sales presence for Xurpas in Australia, allowing the company to offer its products and services in a market that is at least 10x larger than the Philippine market. This is an opportunity that Xurpas has not previously tapped. Xurpas will offer a range of IT services thru the new subsidiary, ranging from staff augmentation and managed services, to bespoke software development, among others.
April 6, 2023	Altitude Games Pte Ltd sells its assets and business Xurpas Inc. owns 21.17% equity in Altitude Games Pte Ltd.
April 14, 2023	The Company submitted its Public Ownership Report as of March 31, 2023.
April 14, 2023	Material Information / Transactions: Amendment – Altitude Games Pte Ltd sells its assets and business
April 14, 2023	Request for Extension to file SEC Form 17-A
April 17, 2023	The Company submitted its List of Top 100 Stockholders as of March 31, 2023.
May 2, 2023	2022 Audited Financial Statements
May 11, 2023	1. Date and Conduct of 2023 ASM; and 2. Amendment of the By-Laws
May 15, 2023	Quarterly Report
May 30, 2023	Approval of the Integrated Annual Corporate Governance Report