

## For Approval of Xurpas Stockholders



### MINUTES OF THE 2018 ANNUAL STOCKHOLDERS' MEETING

July 17, 2018 at 9:00 a.m.

Main Lounge of the Manila Polo Club, McKinley Road, Makati City

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#### Stockholders Present:

Total No. of Shares of Outstanding as of Record Date: 1,870,940,210

Total No. of Shares of Stockholders Present / Represented by Proxy: 1,280,543,004

Percentage of Shares Present & Represented by Proxy: 68%

#### Directors Present:

Mr. Nico Jose S. Nollado, *Chairman and Chief Executive Officer*

Mr. Raymond Gerard S. Racaza, *Director, President and Chief Operating Officer*

Mr. Fernando Jude F. Garcia, *Director and Chief Technology Officer*

Atty. Mercedita S. Nollado, CPA, *Director*

Mr. Wilfredo O. Racaza, *Director*

Mr. Jonathan Gerard A. Gurango, *Independent Director*

Mr. Alvin D. Lao, *Independent Director*

#### Also Present:

Mr. Jose Vicente T. Colayco, *Treasurer and Chief Business Development Officer*

Mr. Alexander D. Corpuz, *Chief Finance Officer and Chief Compliance Officer*

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

#### I. CALL TO ORDER

After the Philippine National Anthem, Mr. Raymond Gerard S. Racaza (“**Mr. Racaza**”), the President and Chief Operating Officer of **Xurpas Inc.** (the “**Corporation**”), called the meeting to order and presided over the same. He welcomed the stockholders, the members of the board of directors (the “**Board**”), and the officers of the Corporation.

Atty. Mark S. Gorriceta, the Corporate Secretary, Chief Legal Officer, and Assistant Chief Information Officer (“**Atty. Gorriceta**”) recorded the minutes of the meeting.

#### II. NOTICE OF MEETING AND DETERMINATION OF QUORUM

Atty. Gorriceta certified that on May 16, 2018, written notices of the time, date, and purpose of the 2018 Annual Stockholders’ Meeting of the Corporation were sent by commercial courier to each stockholder of record in accordance with the provisions of the By-Laws of the Corporation and other applicable rules. Atty. Gorriceta also certified that the notice of the meeting was published in the Manila Times, a newspaper of general circulation, on June 14, 2018.

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Atty. Gorriceta further certified that there was a quorum for the meeting. Accordingly, stockholders owning 1,280,543,004 shares representing 68% of the 1,870,940,210 outstanding shares were present in person or by proxy.

Thereafter, Mr. Racaza announced that the meeting was duly convened and ready to proceed with its business.

### **III. PROCEDURES FOR DISCUSSION AND VOTING**

Mr. Racaza requested Atty. Gorriceta to explain the procedure for the discussion and voting to facilitate the orderly flow of the meeting.

Consequently, Atty. Gorriceta explained the procedure for the discussion. He said that any stockholder who wishes to ask a question or give a comment should raise his hand to be recognized. Once recognized, the stockholder shall then proceed to the microphone and identify himself. As per Atty. Gorriceta, only questions related to the relevant item in the agenda shall be entertained.

Atty. Gorriceta proceeded to explain the procedure for voting. He stated that the stockholder of each outstanding share of stock is entitled to one vote. For the election of directors, stockholders may cumulate their votes. The candidates receiving the highest number of votes shall be elected.

Upon registration, each stockholder is given a ballot to be used for voting. Thereafter, accomplished ballots shall be dropped into the ballot box provided at the registration area. The cut-off time for dropping the ballots is before the taking up of the next item in the agenda, namely, the approval of the minutes of the previous stockholders' meeting.

The Corporation's representatives shall, thereafter, secure the ballot box, and commence with the tabulation of the votes in the designated tabulation area. No other ballots dropped beyond the cut-off time shall be accepted or counted.

The voting process, as discussed, was also explained in the By-laws and the Information Statement sent to all stockholders.

### **IV. APPROVAL OF THE MINUTES OF THE MAY 10, 2017 REGULAR STOCKHOLDERS' MEETING**

Mr. Racaza then proceeded with the approval of the minutes of the regular stockholders' meeting held on May 10, 2017.

Atty. Gorriceta stated that copies of the minutes of the May 10, 2017 regular stockholders' meeting were distributed to the stockholders prior to the meeting. After which, Mr. Racaza requested for a motion for the approval of the minutes.

On motion of Ms. Sarah Mae M. Espina, seconded by Ms. Estrelita B. Laban, the stockholders 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 May 10, 2017.”

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### V. ANNUAL REPORT OF THE PRESIDENT AND CHIEF OPERATING OFFICER AND THE PRESENTATION OF THE 2017 AUDITED FINANCIAL STATEMENTS

Mr. Racaza proceeded to inform the stockholders that the next item in the agenda is the Annual Report of the President and Chief Operating Officer.

Mr. Racaza began his discussion with an update on the operations of the Corporation. He mentioned that the Corporation created substantial investments in digital advertising, fortified its holdings in the enterprise division, and created substantial investments in the consumer division.

He provided an update on each subsidiary of the Corporation:

1. He stated that Xeleb Technologies Inc. (“**Xeleb**”) entered into notable partnerships with some of the biggest entities in the Philippines. Accordingly, Xeleb formed a partnership with ABS-CBN wherein the latter entrusted the development of certain products and services to Xeleb for some of its biggest franchises/shows. Mr. Racaza proudly announced that Xeleb created mobile games featuring the biggest television franchise in Philippine history, *Ang Probinsyano*. He also informed the stockholders that Xeleb similarly created several other mobile games for ABS-CBN’s other popular primetime shows such as *La Luna Sangre* and *Bagani*.
2. Mr. Racaza reported that Art of Click Pte. Ltd (“**Art of Click**”) continuously creates sophisticated platforms for the consumers.
3. He emphasized that Yondu Inc. (“**Yondu**”) is considered as one of the biggest talent solutions company in the Philippines. He stated that Yondu has provided and served talent solutions to fifty-seven (57) brands such as Unilever, BPI, Samsung, PNB and Bancnet. These talent solutions include staff augmentation, placement, recruitment process, outsourcing, and executive search. Mr. Racaza added that Yondu gained expertise and built strong capabilities across verticals.

He also reported that Yondu formed a partnership with the Armed Forces of the Philippines (“**AFP**”) to aid the Marawi residents.

Ayala Group also teamed up with Yondu to launch a mobile application which can coordinate disaster response, gather feedback, and provide critical information for its employees.

Additionally, Yondu also created the BGC-parking app.

4. Mr. Racaza informed the stockholders that Storm Technologies Inc. (“**Storm**”) has secured sixteen (16) new clients during the first quarter of 2018. Its new clientele includes Jollibee, SyCip Gorres Velayo & Co. (“**SGV**”), and Mang Inasal. He also stated that Storm has doubled its employee base to 106,000.
5. For Altitude Games Pte. Ltd., Mr. Racaza said that it launched new games such as the Pirate themed idle clicker game, and martial arts themed idle clicker game.

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Mr. Racaza informed the stockholders that the Corporation experienced three (3) major setbacks during the first quarter of 2018, including the slow revenue growth for Art of Click.

Mr. Racaza concluded his report by highlighting the three (3) major strategies to be undertaken by the Corporation. He also informed the stockholders that the Corporation aims to launch ODX, a subsidiary of the Corporation which will focus on creating a free internet platform for emerging markets.

According to Mr. Racaza, ODX has an ongoing fundraising activity, with a hard cap of Php5 billion. He added that token buyers have committed to buy more than Php2.5 billion worth of ODX tokens. He also mentioned that the Corporation will relaunch the products and services with its telco partners to revitalize the mobile consumer business. Finally, Mr. Racaza shared the Corporation's plan to shift Art of Click's focus to programmatic digital advertising business.

Mr. Racaza proceeded to inform the stockholders that Mr. Alexander Corpuz ("**Mr. Corpuz**") will discuss in detail the financial performance of the Corporation for 2017 and the first quarter of 2018.

Mr. Corpuz commenced his financial report by emphasizing the Corporation's revenue growth in 2017. According to him, the Corporation hit an all-time high revenue of Php2.1 billion in 2017. This is equivalent to a growth of 8%. He proceeded to report that for mobile consumer business, there was a 16% growth notwithstanding the challenging market environment for the digital advertising business.

For the enterprise business, Mr. Corpuz reported that its revenues decreased by 18% due to the use of some in-house resources for priority platform projects. He explained that the refocusing of some in-house resources for its priority platform projects resulted in a slowdown of the enterprise segment. Mr. Corpuz added that with respect to Other Services, which refers to Storm, its revenues grew by 84% due to the increase in its client base for the benefits and performance reward products.

During the first quarter of 2018, the weak consumer business led to a substantial drop in total revenues. Moreover, new policies imposed by Globe Telecom, Inc. governing Value Added Services ("VAS") providers further contributed to this drop in revenues. The spill-over weakness of its digital advertising business and the implementation of the said policies by Globe Telecom, Inc. resulted in a 56% drop in the Corporation's total revenues. The Corporation posted a net loss for the first quarter of 2018 due to the significant revenue decline.

On motion of Ms. Erica Sarmiento-Lim, seconded by Ms. Gianheena Rosal, the stockholders noted the 2017 annual report and the presentation of the 2018 1<sup>st</sup> Quarter unaudited financial Statements, and adopted the following resolution:

**"RESOLVED**, that the stockholders of **Xurpas Inc.** take notice of the annual report, which includes the 2017 Audited Financial Statements and 1<sup>st</sup> Half of 2018 Unaudited Financial Statements of Xurpas and its subsidiaries as reported by the President and Chief Operating Officer, and Chief Finance Officer."

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### VI. ELECTION OF BOARD OF DIRECTORS

Mr. Racaza advised the stockholders that the next item in the agenda is the election of eight (8) members of the Board for the ensuing year. Mr. Racaza requested Atty. Gorriceta to explain the nomination and election process.

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

1. Nico Jose S. Nollo
2. Raymond Gerard S. Racaza
3. Fernando Jude F. Garcia
4. Mercedita S. Nollo
5. Wilfredo O. Racaza
6. Jose Vicente T. Colayco
7. Alvin D. Lao, *Independent director*
8. Jonathan Gerard A. Gurango, *Independent director*

Atty. Gorriceta discussed that the qualifications of the directors are provided in the Information Statement which was sent to the stockholders as of record date and disclosed through the PSE Edge portal. The Nomination Committee has evaluated the aforementioned nominees based on their qualifications in accordance with the criteria provided in the Securities Regulation Code, the Corporation's Manual on Corporate Governance and By-Laws. Consequently, the final list of nominees was prepared.

Mr. Racaza then opened the floor for questions or comments. There being no questions or comments, on motion of Ms. Erica Sarmiento-Lim, seconded by Ms. Sarah Mae M. Espina, the stockholders elected the eight (8) nominees as directors of the Corporation for the ensuing year to serve as such until their successors are elected and qualified, and adopted the following resolution:

“**RESOLVED**, that the stockholders of Xurpas Inc. elect the following as directors who shall serve as such until their successors are duly elected and qualified:

1. Nico Jose S. Nollo;
2. Raymond Gerard S. Racaza;
3. Fernando Jude F. Garcia;
4. Mercedita S. Nollo;
5. Wilfredo O. Racaza;
6. Jose Vicente T. Colayco;
7. Alvin D. Lao, *Independent director*; and
8. Jonathan Gerard A. Gurango, *Independent director*”

Mr. Racaza stated that the election of the directors for the ensuing year has been approved. He thanked the stockholders for their continued trust and support, on behalf of the elected directors.

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### **VII. APPOINTMENT OF THE EXTERNAL AUDITOR**

Mr. Racaza informed the stockholders that the next item in the agenda is the election of the Corporation's external auditor. He said 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. Based on the recommendation of the Audit Committee, the Board endorses SGV as its external auditor for the current fiscal year. Thereafter, Mr. Racaza opened the floor for questions or comments.

Mr. Emil, one of the stockholders present at the Annual Stockholders' Meeting asked why the trading price of the Corporation's share has been declining and what can be done to improve the price of X Shares.

Mr. Racaza responded that the trading price is not reflective of the Corporation's performance. He explained that the Corporation has no way of controlling the stock price. He assured the stockholders that management will continue to work hard to improve its performance.

There being no other questions or comments, on motion of Ms. Estrelita B. Laban seconded by Ms. Erica Sarmiento-Lim, the stockholders approved the re-election of SGV as the external auditor of the Corporation for the current fiscal year and approved SGV's audit fee, and adopted the following resolution:

**"RESOLVED**, as endorsed by the board of directors of Xurpas Inc. (the **"Corporation"**), the stockholders of the Corporation approve the re-election of Sycip Gorres Velayo & Co. as the Corporation's external auditor for the current fiscal year."

### **VIII. MESSAGE OF THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER**

Mr. Racaza informed the stockholders that the next item in the agenda is the message from the Chairman of the Board and Chief Executive Officer, Mr. Nico Jose S. Nolloedo ("**Mr. Nolloedo**").

Mr. Nolloedo began his message by providing the stockholders a background on blockchain technology and cryptocurrency. He then discussed how blockchain works and how it will be utilized by the Corporation for its future projects. Mr. Nolloedo said that as discussed during the previous stockholders' meeting, the Corporation intends to move to platform-based products. He emphasized that a blockchain platform creates a much larger opportunity for business.

Mr. Nolloedo announced that there are four (4) blockchain projects that the Corporation is currently working on: one for games, one for benefits, one for prepaid load and digital tokens, and one for internet access. The Corporation's approach is how to create an opportunity that is exponentially larger than the one it had before.

Mr. Nolloedo mentioned that Open data Exchange ("**ODX**") is the main vehicle for Xurpas. He went on to discuss the Blockchain business model of Xurpas – ODX. Mr. Nolloedo discussed that consumers can claim their free ODX tokens rewarded by publishers in the ODX wallet. Consumers

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are able to create their identity which is stored in the blockchain using the ODX wallet. Moreover, ODX can be used to purchase sachet data for use in non-sponsored apps/sites. Additionally, consumers can utilize their free tokens through the platform.

According to Mr. Nolloedo, the total number of tokens to be generated are fifty (50) billion tokens. **He then discussed the qualifications of the advisers of ODX.** Mr. Nolloedo concluded his message by emphasizing that he believes that blockchain and cryptocurrencies are here to stay and will only become larger. He added that the Corporation's main blockchain initiative, ODX, enjoys massive support from world class institutions and thought leaders in the blockchain space.

## **IX. ADJOURNMENT**

There being no other business to discuss, on motion of Ms. Gianheena Rosal, seconded by Ms. Estrelita B. Laban, the meeting was adjourned.

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### Tabulation of Votes

#### 1. Approval of Minutes of Previous Meeting

<b>For</b>	<b>Against</b>	<b>Abstain</b>
1,280,028,127 (99.96%)	-	514,877 (0.04%)

#### 2. Approval of Annual Report of the President and Chief Operating Officer and 2017 Consolidated Audited Financial Statements

<b>For</b>	<b>Against</b>	<b>Abstain</b>
1,280,028,127 (99.96%)	-	514,877 (0.04%)

#### 3. Election of Directors and Officers

<b>Name</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Nico Jose S. Nollo do	1,280,027,777 (99.96%)		515,227 (0.04%)
Raymond Gerard S. Racaza	1,280,027,777 (99.96%)		515,227 (0.04%)
Fernando Jude F. Garcia	1,280,027,777 (99.96%)		515,227 (0.04%)
Mercedita S. Nollo do	1,280,027,777 (99.96%)		515,227 (0.04%)
Wilfredo O. Racaza	1,280,027,777 (99.96%)		515,227 (0.04%)
Jose Vicente T. Colayco	1,280,027,777 (99.96%)		515,227 (0.04%)
Alvin D. Lao	1,280,027,777 (99.96%)		515,227 (0.04%)
Jonathan Gerard A. Gurango	1,280,027,777 (99.96%)		515,227 (0.04%)

#### 4. Appointment of Sycip Gorres Velayo & Co. as the Corporation's External Auditor for 2018

<b>For</b>	<b>Against</b>	<b>Abstain</b>
1,280,028,127 (99.96%)		514,877 (0.04%)