



MINUTES OF THE 2019 ANNUAL STOCKHOLDERS' MEETING

November 8, 2019 at 9:00 a.m.

Makati Sports Club, L.P. Leviste Corner Gallardo Streets
Salcedo Village, Makati City

Stockholders Present:

Total No. of Shares of Outstanding as of Record Date: 1,871,830,210

Total No. of Shares of Stockholders Present/Represented by Proxy: 1,078,340,753

Percentage of Shares Present & Represented by Proxy: 57.61%

Directors Present:

Mr. Nico Jose S. Nollado, *Chairman*

Alexander D. Corpuz, *President, Chief Finance Officer, and Chief Information Officer*

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

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

Also Present:

Atty. Mercedita S. Nollado, *Director*

Mr. Wilfredo O. Racaza, *Director*

I. CALL TO ORDER

After the Philippine National Anthem, Mr. Alexander D. Corpuz (“**Mr. Corpuz**”), the President of **Xurpas Inc.** (the “**Corporation**”), 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 2019 Annual Stockholders’ Meeting.

Atty. Mark S. Gorriceta (“**Atty. Gorriceta**”), the Corporate Secretary, recorded the minutes of the meeting.

II. NOTICE OF MEETING AND DETERMINATION OF QUORUM

Atty. Gorriceta certified that written notice of the time, date, place and purpose of the meeting was sent by courier to all the stockholders of record as of September 6, 2019 in accordance with the provisions of the By-Laws of the Corporation and all other applicable rules.

He likewise certified that stockholders owning 1,078,340,753 shares or 57.61% of the 1,871,830,210 outstanding shares as of September 6, 2019 are present in person or by proxy. Therefore, there is a quorum for the meeting.

III. PROCEDURES FOR DISCUSSION AND VOTING

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

Atty. Gorriceta then explained the procedure for discussion and voting. Any stockholder who wishes to ask a question or give a comment is required to raise his hand to be recognized. After being acknowledged by the Chairman of the Meeting, the stockholder shall proceed to the microphone and identify himself. Atty. Gorriceta also stated that only questions related to the relevant item in the agenda will be entertained.

Each stockholder was given a ballot to be used for voting upon registration at the meeting. Accomplished ballots shall be dropped into the ballot box provided at the registration area. The cut-off time for dropping the ballots is before we take up the next item in the agenda, which is the approval of the minutes of the previous stockholders' meeting. After which, the Corporation's representatives will secure the ballot box, and will commence the tabulation of the votes in the designated tabulation area. No ballots dropped beyond the cut-off time shall be accepted or counted.

Each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders may cumulate their votes and the candidates receiving the highest votes will be declared elected. For all other matters to be taken up, the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented during the meeting will be needed to approve each resolution.

Atty. Gorriceta informed the stockholders that the voting process was also explained in the Corporation's By-Laws and the Information Statement sent to all stockholders of record.

IV. APPROVAL OF THE MINUTES OF THE JULY 17, 2018 ANNUAL STOCKHOLDERS' MEETING

Mr. Corpuz then proceeded with the first item in the agenda, which is the approval of the minutes of the previous Annual Stockholders' Meeting held on July 17, 2018.

Atty. Gorriceta stated that copies of the minutes of the Annual Stockholders' Meeting held on July 17, 2018 have been provided to the stockholders before the meeting. Thereafter, Mr. Corpuz requested for a motion for the approval of the minutes.

On motion of Ms. Gianheena Rosal, seconded by Ms. Sarah Mae M. Espina, the stockholders approved the minutes of the previous meeting and adopted the following resolution:

“RESOLVED, to approve the minutes of the Annual Stockholders' Meeting held on July 17, 2018.”

V. ANNUAL REPORT OF THE PRESIDENT AND THE PRESENTATION OF THE 2018 AUDITED FINANCIAL STATEMENTS

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

2018 Financial Performance Highlights

Mr. Corpuz began his discussion with the 2018 financial performance highlights of the Corporation. He informed the stockholders that there was a 41% decline in the revenues of the Corporation from Php2.1 Billion in 2017 to Php1.2 Billion in 2018. He explained that the increase in the business of Xurpas Enterprise Inc. (“**Xurpas Enterprise**”) was not sufficient to offset the weakened consumer business.

He also informed the stockholders that there was an improvement in the over-all enterprise business of the Corporation by 31%, which can be attributed to the improvement in Yondu’s enterprise business by 35%, particularly, the IT Staffing business. The enterprise business segment now comprises 68% total revenues of the Corporation.

Because of the two (2) industry reshaping events experienced in 2018, specifically the new opt—in procedures implemented by one telco to all of its VAS providers and ad frauds, the Corporation’s mobile consumer revenues declined by eighty percent (80%). On the other hand, Other Services, which refers to Storm Technologies, Inc. (“Storm”), recorded a 4% decrease in its revenues.

The resulting net loss of Php812 Million in 2018 is attributable to the following:

1. Drastic drop in revenues leading to operating losses;
2. Provision for bad debt of Art of Click Pte. Ltd. (“**AOC**”);
3. Impairment of goodwill that was recorded for AOC; and
4. Recognition on the effect of the new accounting standard - PFRS 9.

He further stated that the provision for the impairment of receivables can be recovered when they are collected, while the impairment of goodwill can be recovered once the financial performance of AOC improves.

1st Half 2019 Financial Performance Highlights

Mr. Corpuz proceeded to discuss the financial performance of the Corporation for the first half of 2019.

He discussed that the Corporation ended with a Php640 Million revenue for the first half of 2019, which is a five percent (5%) increase in the revenues from Php609 Million during the first half of 2018. He reiterated that this can be attributed to the increase in the revenues of the Enterprise business, which now comprises of 89% of the total revenues.

He further stated that the 5% increase in total revenues can be attributed to the following: 50% increase in Enterprise revenues, which now comprise 89% of total revenues; Other services increasing its revenues by 22% (now contributing 8% of the total revenues); and decline in mobile consumer revenues. In the first half of 2018, the Corporation still had VAS revenues from Globe Telecom, Inc. (“Globe”) and more revenues from AOC. However, for the year 2019, Mr. Corpuz informed the stockholders that the Corporation had very minimal VAS revenues from Smart and even less from Globe, and continued depleted revenues from AOC.

To highlight and give more detail on the enterprise revenues, Mr. Corpuz said that this was largely brought about by the 52% increase in Yondu's enterprise revenues, from Php351 million in the first half of 2018 to Php534 million for the first half of 2019. The increase in Yondu's enterprise revenues is a result of the incremental revenues from one of its clients, Accenture.

Moreover, Mr. Corpuz stated although the Corporation suffered a net loss of Php115m loss, it is still a 20% improvement from the Php144 million loss the previous year.

Dividend Policy

Mr. Corpuz informed the stockholders that it is the Corporation's dividend policy that stockholders may be entitled to receive dividends equivalent to thirty percent (30%) of the prior year's net income after tax, subject to the availability of unrestricted retained earnings. However, considering the Corporation's current financial performance, Mr. Corpuz emphasized that the Corporation cannot provide an assurance on when dividends will be paid. He then assured the stockholders that Management is exerting efforts to improve its financial performance to be able to increase shareholder value and consequently, declare dividends.

Related Party Transactions Policy

Mr. Corpuz also informed the stockholders that the Board has formalized the Corporation's related party transactions policy which was adopted on October 28, 2019. The policy provides that all related party transactions shall be conducted:

1. At arm's length, which would serve only to the best interests of the Company and accordingly, its stockholders;
2. Fairly and with transparency;
3. With no particular group or individual who will benefit at the expense of any of the public investors or minority shareholders; and
4. Ensure that transactions are properly approved and disclosed in accordance with applicable laws, rules and regulations.

Mr. Corpuz also provided an update to the Stockholders regarding the Corporation's most recent disclosures. He mentioned that the Corporation recently disclosed the sale of its 51% shareholdings in Yondu to Globe. He said that the proceeds from the sale will be used for the following:

- Retirement of Xurpas loans
- Increase liquidity
- Focus on high-value, emerging, innovative, and disruptive technologies and platforms impacting both enterprise and consumer commerce

He also disclosed to the stockholders the dissolution of Xeleb Technologies Inc. and Xeleb Inc. He said that the dissolution is due to the following:

- The two entities do not have any significant contribution to Xurpas Group; and

- All residual business will be consolidated into the parent company instead of maintaining a separate entity.

VI. MESSAGE OF THE CHAIRMAN OF THE BOARD

Mr. Corpuz stated that the next item in the agenda is the message from the Chairman of the Board, **Mr. Nico Jose S. Nolleto** (“**Mr. Nolleto**”).

Mr. Nolleto began his message by stating that the Corporation has been listed with the Philippine Stock Exchange since 2014. He said that the Corporation encountered difficulties in balancing long term growth vis-à-vis short term quarter on quarter returns.

He discussed with the stockholders that over the past year, the Board has implemented a reorganization measure for the Group with the end goal of having a stronger balance towards more predictable returns coming from Enterprise services, while still maintaining the technology upside. Mr. Nolleto said that the Board believes that the Enterprise business will serve as a significant anchor for the Corporation considering that a lot of companies nowadays are investing heavily in digital transformation initiatives. He shared that AOC has executed licensing agreements with third parties for its software. Meanwhile, Storm has also expanded its sources of revenues by offering fixed licensing fees as part of its strategy to strengthen its enterprise services. Altitude Games Pte. Ltd and Altitude Inc. (“Altitude Games”) continue to publish games, both online and in the blockchain, and have also outsourcing agreements with third parties, such as Animoca Brands, Kongregate and PikPok games. The outsourcing agreements allow Altitude Games to generate a steady income stream that enables them to cover their overhead expenses.

Mr. Nolleto proceeded to discuss the Corporation’s most recent disclosure – the acquisition of a holding company which will have equity interest in several US Management entities of Wavemaker. He gave the shareholders a background on Wavemaker. He said that Wavemaker is based in the United States, and has over two hundred thirty (230) investments globally. Wavemaker has about \$210 Million assets under management, twenty five (25) full-time personnel, three (3) funds and a sidecar fund. He also mentioned that Wavemaker has gotten a top decile fund performance for the last sixteen (16) years, and is one of the original venture funds in Southern California. It is affiliated with several Venture Capitalists (VC), angel groups and corporates in North America, and boasts of a diversified portfolio.

According to Mr. Nolleto, two (2) of the three (3) general partners of Wavemaker are Filipino, and the third one is an American. Messrs. Eric Manlunas, Paul Santos and James Jordan were technology entrepreneurs who have successfully exited their respective businesses. As such, they have experiences not only on the fund management side, but are also able to connect with the CEOs and founders of the companies they invest in.

Wavemaker’s performance over the last sixteen (16) years shows that their funds have outperformed the top quarter PE and top quarter VC funds in the United States. In its existing portfolio, it is evident that there are a lot of unrealized gains and multiples based on the last round of investment evaluation in their investment companies.

Mr. Nollo do added that one of Wavemaker's General Partners, Mr. Eric Manlunas, is a member of the Board of Draper Venture Network. Tim Draper, the investor of the Draper Venture Network, has a wide range of investments, including but not limited to Twitter, Hotmail, Tesla, SpaceX, Box, Tumblr and several iconic technology businesses. This network is across sixty (60) cities, has twenty two (22) funds, with over eight hundred (800) companies, and collectively manages over USD2 billion in assets under management. Through the Draper Venture Network, Wavemaker has worldwide access to the tech industry.

Mr. Nollo do likewise explained that over the last decade, technology start-ups have been relying on funding from venture capital investors. As such, the VCs have been enjoying these substantial returns generated by the growth of these fast-growing technology companies. Opening up this business model provides the public investors access to these investment opportunities.

He also shared that the Corporation can earn from the following from its investment in Wavemaker: (1) through management fees, regardless of the performance of the start-ups that they invest in; and (2) through Profit share from the performance of the assets that the management company has invested into.

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

Mr. Nollo do identified benefits of the deal to investors in Southeast Asia as follows:

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

One of the stockholders expressed his concern that Mr. Nollo do's report might be too optimistic, given that investors has lost a substantial amount of their investments since the Corporation's initial public offering. He clarified how much money will be left in the Corporation after the disclosed transactions. Mr. Corpuz admitted that there will be a loss on the sale of Yondu since it has contributed around 65-70% of the Corporation's expenses. He then assured the shareholder that the Corporation will have revenues from the other existing subsidiaries and/or affiliates within the group.

The same stockholder inquired on the amount which the Corporation expects to earn from commissions, pursuant to the acquisition of Wavemaker. Mr. Nollo do said that Wavemaker is entitled to management fees equivalent to 2% from the assets under management.

The said stockholder continued to inquire if there is a projection on revenues to be contributed by Wavemaker. Mr. Nollo do responded that since he cannot provide projections, he will share historical figures. He noted however that this is not an assurance that the same amount will be earned

by Wavemaker. He said that historically, Wavemaker has an average rate of return at a rate of 2x to 4x across all the funds that they have managed over the last 16 years.

Another stockholder asked for a clarification on the management fee. He asked if the management fee will be collected on an annual basis, to which Mr. Nolloedo answered in the affirmative.

Mr. Corpuz asked for a motion for the noting of the annual report, and to approve the 2018 Consolidated Audited Financial Statements of the Corporation as of December 31, 2018, as audited by Sycip Gorres Velayo & Co.

On motion of Ms. Sarah Mae M. Espina, seconded by Mr. Alfonso A. Tagaysay, the stockholders noted that the 2018 annual report and the presentation of the 2018 Consolidated Audited Financial Statements, and adopted the following resolution:

“RESOLVED, to note the Corporation’s Annual Report and to approve the consolidated Audited Financial Statements of the Corporation as of December 31, 2018, as audited by Sycip Gorres Velayo & Co.”

VII. ELECTION OF 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. Nico Jose S. Nolloedo;
2. Alexander D. Corpuz;
3. Fernando Jude F. Garcia;
4. Mercedita S. Nolloedo;
5. Wilfredo O. Racaza; and
6. Jonathan Gerard A. Gurango, *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 are provided 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 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.

Mr. Corpuz then opened the floor for questions or comments. There being no questions or comments, he asked Atty. Gorriceta to report the results of the election.

Atty. Gorriceta stated that based on the partial tabulation of votes, each of the six (6) nominees has garnered at least 1,073,067,542 votes. Given this, he certified that each nominee has received enough votes for election to the Board.

Mr. Corpuz then asked for a motion for the adoption of a resolution declaring the election of the six (6) nominees.

On motion by Ms. Esther Laban, seconded by Ms. Ella Malapitan, the stockholders approved the election of the directors and adopted the following resolution:

“RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

Nico Jose S. Nollo
Fernando Jude F. Garcia
Alexander D. Corpuz
Mercedita S. Nollo
Wilfredo O. Racaza
Jonathan Gerard A. Gurango (Independent Director)”

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

VIII. APPOINTMENT OF THE 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.

Based on the recommendations of the Audit Committee, the Board has agreed to endorse the appointment of SGV as the External Auditor of the Corporation for the current fiscal year.

There being no questions or comments, on motion of Mr. Alfonso A. Tagaysay, seconded by Ms. Gianheena Rosal, 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, to approve the re-appointment of Sycip Gorres Velayo & Co. as the Corporation’s External Auditor for the year 2019.”

IX. ADJOURNMENT

There being no other business to discuss, on motion of Ms. Sarah Mae Espina, seconded by Ms. Ella Malapitan, the meeting was adjourned.