



## MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING

May 11, 2016 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 Outstanding as of Record Date: 1,720,000,660

Total No. of Shares of Stockholders Present/Represented by Proxy: 1,372,004,545

Percentage of Shares Present & Represented by Proxy: 79.77%

### Directors Present:

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

**Mr. Raymond Gerard S. Racaza**, *Treasurer and Chief Operations Officer*

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

**Mr. Wilfredo O. Racaza**

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

**Mr. Alvin D. Lao**, *Independent Director*

## I. CALL TO ORDER

After the national anthem, the Chairman, President and Chief Executive Officer, Mr. Nico Jose S. Nollado, ("Mr. Nollado") called the meeting to order at 9:00 a.m. and presided over the same. He welcomed the stockholders, the members of the Board of Directors, and the other officers of the Corporation.

Atty. Mark S. Gorriceta, the Corporate Secretary, ("Atty. Gorriceta") recorded the minutes of the meeting.

## II. NOTICE OF MEETING AND DETERMINATION OF QUORUM

Atty. Gorriceta certified that notices for the 2016 Annual Stockholders' Meeting of Xurpas Inc. (the "Company") were sent to each stockholder of record as of April 19, 2016 in accordance with the requirements of the By-Laws of the Corporation and applicable rules. Atty. Gorriceta also certified that notices for the meeting were published in the Philippine Daily Inquirer, a newspaper of general circulation, on March 16, 2016.

Atty. Gorriceta further certified that there was a quorum for the meeting with stockholders owning 1,365,060,789 shares representing 79.36% of the outstanding shares present in person or by proxy. Thereafter, Mr. Nollado announced that the meeting was duly convened and ready to proceed with its business.

## III. PROCEDURES FOR DISCUSSION AND VOTING

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

Thereafter, Atty. Gorriceta discussed the voting procedures. Atty. Gorriceta stated that any stockholder who wishes to ask a question or give a comment should raise his hand to be recognized. After being acknowledged by the Chairman, the stockholder should come to the



microphone and identify himself. He is requested to limit his questions to the items in the Agenda.

Atty. Gorriceta also informed the stockholders that 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 win. Upon registration, each stockholder is given a ballot to be used for voting. Accomplished ballots should 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 by the board, which is the approval of the minutes of the previous stockholders' meeting. The voting process was also explained in the By-laws and the Information Statement sent to all stockholders.

#### **IV. APPROVAL OF THE MINUTES OF THE MAY 27, 2015 REGULAR STOCKHOLDERS' MEETING**

Mr. Nollado then proceeded with the approval of the minutes of the regular stockholders' meeting held on May 27, 2015.

Atty. Gorriceta stated that copies of the minutes of the May 27, 2015 regular stockholders' meeting were distributed to the stockholders prior to the meeting.

Mr. Nollado then requested for a motion for approval of the minutes.

On motion of Ms. Sarah 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. ("the Corporation") approve the minutes of the the regular stockholders' meeting held on May 27, 2015."

#### **V. MESSAGE AND ANNUAL REPORT OF THE CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

To start his message and report, Mr. Nollado gave an overview of the continuing substantial growth of the Internet, the fast growing number of smartphone users as compared to personal computer users, and how the Company takes advantage of these trends.

Mr. Nollado discussed that the Company, in selling digital goods to mobile consumers, is following a Business to Business to Consumer ("B2B2C") business model. Applying the B2B2C business model, the Company passes digital goods to intermediaries, such as big telecommunication companies and human resource departments, which in turn pass digital goods to mobile consumers. This allows the Company to dispense with the usual customer acquisition cost where 80% of all venture capital raised goes to for e-commerce startups and resulting in a B2C or C2C e-commerce company to lose money for seven (7) to nine (9) years before it reaches a break-even.

Mr. Nollado emphasized that in a B2B2C business model, it is crucial to identify the appropriate intermediaries to scale up the Company's business. Thus, the Company caused the incorporation of Xurpas Enterprise Inc. ("XEI"), a company intended to serve as the marketing arm of the Company and its subsidiaries tasked to talk to various intermediaries for marketing and advertising purposes. XEI will help transform and build the Company and its subsidiaries' businesses around the mobile phone by taking advantage of the two (2) mega trends: 1) mobile device penetration; and 2) services moving from on-premise to the cloud, without having to spend significant amount of money on marketing and advertising.



Mr. Nollo do informed the stockholders that the Company signed a number of enterprise accounts with several top corporations in the Philippines.

Mr. Nollo do also discussed the Company's recent investment in Micro Benefits Limited ("Micro Benefits"), a corporation incorporated under the laws of Hongkong. Micro Benefits offers an employee benefits-platform ("MB Platform") designed to improve the employees' welfare. The MB Platform is being used by a number of US and China-based companies, some of which are included in the list of Fortune 500 companies. According to Mr. Nollo do, as of date, almost 700,000 employees in China are using MB Platform.

Mr. Nollo do elaborated on how MB Platform works. According to him, a newly hired employee who joins a company that uses an MB Platform will be given a welcome kit which contains the following information: 1) a company identification card ("ID") that will serve as the employee's discount card to certain establishments; 2) a literature on the Company; and 3) an instruction informing the employee to download a mobile application which is the core of MB Platform. Said mobile application allows employees to do the following: a) view latest promotions, discounts and offers available to employees; b) join and access the Company's social network to virtually interact with one another; c) learn new skills while earning rewards by using the Company's incentivized e-learning platform; and d) check current pay and contest its particulars.

Mr. Nollo do then linked Micro Benefits to Storm Benefits, a core benefits marketplace in the Philippines developed by Storm Flex Systems, Inc. ("Storm"). The Company owns 51.5% of Storm. Storm expanded its line up to Storm Kudos, a performance benefits marketplace that gives incentives to user for performing well in his job and to Storm Squares, a human resource communications platform. Storm intends to enter the Chinese market through Micro Benefits' wholly owned subsidiary that is operating in China.

In addition to Micro Benefits and Storm, Mr. Nollo do also gave quick updates on other investee companies' businesses.

Altitude Games Pte. Ltd. ("Altitude")

Altitude has three (3) new titles intended to be launched in 2016 namely, Zodiac Pop, Guardians of Therion and Dream Defense. Altitude is talking to various app stores around the region to feature its products.

Xeleb Inc. ("Xeleb")

Xeleb games featuring five (5) hottest celebrities in the Philippines with their own mobile games were launched last year. Xeleb is part of the fastest growing mobile games of the Company mainly because the Philippines is a celebrity-driven consumer market.

PT. Sembilan Digital Investama ("SDI")

PT Ninelives ("9Lives"), a wholly-owned company of PT SDI, now has five (5) major partners for mobile content billing in Indonesia.

Matchme Pte. Ltd. ("Matchme")

Nemesis, a multiplayer gaming platform developed by Matchme, soft-launched in the Southeast Asian android app store in 2015. Mr. Nollo do takes pride that Nemesis games can hosts fast multiplayer game even with a slow internet connection by transferring only keystroke instructions over the net instead of transferring game assets.



PicoCandy Inc. ("PicoCandy")

PicoCandy has already established distribution partnerships with several top messengers.

Quick.ly

Quick.ly has already established 140 content partnerships. This year, Quick.ly is set to have talks with telecommunications companies to demonstrate how they will earn from Quick.ly's mobile search platform.

Einsights

Finally, Einsights already signed deals with its first clients in the United States and Australia. It also rolled out its SME software as a service platform.

Mr. Nolloredo ended his report by informing the stockholders of the ultimate goal of the Company and that is to consolidate all of its products into a single platform to be featured and delivered through telecommunications companies and human resource departments in Southeast Asia and China, with mobile devices as the core of all interactions.

Mr. Nolloredo then opened the floor for questions or comments.

One of the stockholders, Mr. Philip Turner ("Mr. Turner"), raised several concerns to the Board. According to him, he is having difficulty understanding why the Company has Php756 million account receivables. The Company's Chief Finance Officer, Mr. Alexander Corpuz ("Mr. Corpuz"), answered that the account receivables are attributable to existing software development projects with companies that require considerable amount of time to be accomplished. In 2015, the amount of account receivables of the Company is Php717 million, 92% of which or Php663 million is attributable to Yondu Inc. ("Yondu"). Of such amount, Php481 million is due from Globe Telecom Inc., an affiliate of Yondu. Nonetheless, he assured that the Company takes the necessary steps to age the account receivables and to collect them as they fall due together with the applicable interests and penalty, if any.

Mr. Turner also inquired the Board as to when the stockholders will feel the positive effect of the Company's income. Mr. Corpuz echoed Mr. Nolloredo's update on the Company's investments in 2016 and noted that the Company expects the revenues coming from these investments to be felt in 2017. Mr. Nolloredo added that in a B2B2C business model, the intermediary will collect payments from mobile consumers and then the Company will collect payments from the intermediary. Thus, in a B2B2C business model, collection of payment may take longer due to reconciliation of accounts of the Company and the intermediary. Mr. Nolloredo informed Mr. Turner that his concerns will be addressed by the presentation of the Company's Chief Operations Officer.

Mr. Turner complained that he did not see any Company product during his visit in the Company office. Mr. Nolloredo explained that the Company products reside in the internet as digital goods and are being purchased through mobile phone that is why Mr. Turner did not see any physical good during his visit.

There being no other questions and comments from the stockholders, Ms. Erica G. Sarmiento moved, seconded by Ms. Vanessa V. Barrameda, for the noting and approval of the Chairman's Message and the adoption of the following Resolution:



**“RESOLVED**, that the stockholders of Xurpas Inc. (the “Corporation”) take notice of the Chairman’s Message and approve the same.”

## **VI. ANNUAL REPORT OF THE CHIEF OPERATIONS OFFICER AND THE APPROVAL OF THE 2015 AUDITED FINANCIAL STATEMENT**

Mr. Nollado informed the stockholders that the next item in the Agenda is the Annual Report of the Chief Operations Officer, Mr. Raymond Gerard S. Racaza (“Mr. Racaza”) and the approval of the 2015 Audited Financial Statements as of December 31, 2015, which were reproduced in the Annual Report and Definitive Information Statement distributed to the stockholders.

As a preliminary, Mr. Racaza discussed the structure of the Company’s business. According to him, the Company’s business is divided into three (3) segments as follows: 1) Mobile Consumer, the core business of the Company, which consist of Yondu and Xeleb; 2) Mobile Enterprise, which consist of Yondu, Seer Technologies, Inc. (“Seer”) and Fluxion, Inc. (“Fluxion”); and 3) Mobile commerce, which consist of Storm.

Thereafter, Mr. Racaza discussed the Company’s 2015 performance highlights starting with the Company’s key acquisition of 51% ownership in Yondu, which elevated its significance from a mere supplier to a business partner of Globe Telecom Inc. (“Globe”). Previously, Yondu is 100% owned by Globe. This was followed by the launch of Xeleb games, a celebrity-branded mobile game. It was also in 2015 that the Company ventured in physical goods through Storm. As noted by Mr. Racaza, 2015 is a banner year for the Company.

Mr. Racaza emphasized that the Company heavily invests in mental capital as this is the foundation of the Company’s business. The number of the Company’s highly skilled employees went up in 2015. The average tenure of the employees is more than four (4) years which is one of the longest tenure in the IT industry. To date, the Company has five (5) offices in the Philippines and two (2) in Indonesia.

Mr. Racaza proudly reported that in 2015, the Company launched ground-breaking mobile products which defined the landscape citing Xeleb games, among others. He even noted that the Company can go head to head with any word-class game developers due to the level of engineering exhibited by its employees.

According to Mr. Racaza, in 2015, the Company’s revenue grew by 135% due to increase in mobile consumer business which also grew by 86%. He emphasized that in 2014, the mobile consumer business of the Company accounted for 79% of the business while in 2015 it accounted for 63%. This means that the Company was able to make its revenue pipes bigger while maintaining robust revenue growth. Mr. Racaza also mentioned other revenue streams such as knowledge processing outsourcing or higher level of knowledge processing which cannot be replicated by machines and mobile commerce led by Storm from which the Company expects more revenues to come.

Mr. Racaza ended his report by highlighting the Company’s income before tax, net income and core net income which all grew by 38%, 20% and 32%, respectively notwithstanding increase in expenses due to organizational expansion and acquisitions, and the imposition of the full 30% corporate income tax rate after the Company’s income tax holiday expired in 2014.

Mr. Nollado then opened the floor for questions or comments.

There being no other questions and comments from the stockholders, on motion of Ms. Estrelita B. Laban, seconded by Mr. Gabriel K. Dizon, the stockholders noted the annual report, approved the 2015 Audited Financial Statements, and adopted the following Resolution:



**“RESOLVED**, that the stockholders of Xurpas Inc. (the “Corporation”) take notice of the annual report of the Chief Operations Officer and approve the Corporation’s Audited Financial Statements for the year 2015.”

## **VII. APPROVAL OF EMPLOYEE STOCK OPTION PLAN**

Mr. Nollo do advised the stockholders that the next item in the Agenda is the approval of the employee stock option plan (“ESOP”).

Atty. Gorriceta informed the stockholders that the Board approved the ESOP, the details of which were included in the Definitive Information Statement sent to all stockholders.

Thereafter, Atty. Gorriceta discussed that the ESOP is intended to provide an opportunity for the Participants to have direct interest in the Company and to help achieve the following specific objectives:

- Promoting a sense of ownership among selected employees of the Company;
- Motivating Participants to achieve performance targets and goals of the Company in a sustained manner;
- Attracting the best human resources in the market; and
- Rewarding and retaining exceptional performance and valued individual contributors.

Atty. Gorriceta informed the stockholders that once approved by the body, the ESOP will be submitted to the regulatory bodies for their approval.

Mr. Nollo do opened the floor for questions or comments.

There being no other questions and comments from the stockholders, on motion of Ms. Sara Maese M. Espina, seconded by Ms. Erica G. Sarmiento, the stockholders approved and ratified the ESOP and adopted the following Resolution:

**“RESOLVED**, that the stockholders of Xurpas Inc. (the “Corporation”) owning at least two-thirds (2/3) of the outstanding capital stock approved and ratified the Employee Stock Option Plan.”

## **VIII. RATIFICATION/APPROVAL OF PAST BOARD ACTIONS**

Mr. Nollo do advised the stockholders that the next item in the Agenda is the ratification of all past actions of the Board of Directors, which were reproduced in the Information Statement distributed to all stockholders and flashed on the screen during the meeting.

Atty. Gorriceta stated that the acts include the approval of contracts, projects and investments in companies and all other acts and proceedings in the usual course of business. Atty. Gorriceta explained that while these board actions do not require the approval of the stockholders, the Corporation finds it proper to report and submit the same to the vote of the stockholders for transparency and accountability. Atty. Gorriceta then opened the floor for questions and comments from stockholders.

Mr. Turner asked how the Company protects itself from existing and potential liabilities of the company it wishes to invest in.

Mr. Nollo do said that before investing into another company, the Company conducts thorough due diligence of the other company’s business to make sure that there are no surprises that can potentially harm the Company. It sets as a condition to investment the grant of certain rights and

powers to the Company or its representatives in order to prevent the other company's board from undertaking specified actions detrimental not only to itself but also to the Company.

There being no other questions and comments from the stockholders, Mr. Nollado requested for a motion for approval.

On motion of Ms. Vanessa V. Barrameda, seconded by Ms. Estrelita B. Laban, the stockholders approved and ratified all acts of the Board of Directors, and adopted the following resolution:

**"RESOLVED**, that the stockholders of Xurpas Inc. ("the Corporation") approve, ratify and confirm all the acts of the Board of Directors and the management taken or adopted since the last stockholders' meeting on May 27, 2015."

## **IX. ELECTION OF BOARD OF DIRECTORS**

Mr. Nollado advised the stockholders that the next item in the Agenda is the election of seven (7) members of the Board for the ensuing year. Mr. Nollado called on Atty. Gorriceta to explain the mechanics for the nomination and election.

Atty. Gorriceta explained that the names of the following nominees to the Board of Directors had been pre-screened and accepted by the Nomination Committee of the Company:

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

Atty. Gorriceta further explained that in accordance with the criteria provided in the Securities Regulation Code ("SRC"), the Company's Manual on Corporate Governance and the Company's By-Laws, the Nomination Committee evaluated their qualifications and prepared a final list of nominees.

Mr. Nollado asked the stockholders if they have any questions or comments.

There being questions or comments, on motion of Ms. Estrelita B. Laban seconded by Ms. Erica G. Sarmiento, the stockholders elected the seven (7) nominees as directors of the Company 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. ("the Corporation") elect the following directors of the Corporation who shall serve as such beginning May 11, 2016 until their successors are elected and qualified:

1. Nico Jose S. Nollado
2. Raymond Gerard S. Racaza
3. Fernando Jude F. Garcia
4. Mercedita S. Nollado
5. Wilfredo O. Racaza
6. Alvin D. Lao, Independent director
7. Jonathan Gerard A. Gurango, Independent director"



On behalf of the elected directors, Mr. Nollado thanked the stockholders for their continued trust and support, and proceeded with the next item in the Agenda.

#### **X. ELECTION OF THE EXTERNAL AUDITOR**

Mr. Nollado noted that the next item in the Agenda is the election of the Company's external auditor. He informed the stockholders that the Audit and Risk Committee evaluated the performance of Sycip Gorres Velayo & Co. ("SGV"), the Company's external auditor since 2008. Mr. Nollado stated that based on the recommendations of the Audit and Risk Committee of the Company, the Board endorsed SGV as the Company's external auditor for the current fiscal year. Thereafter, Mr. Nollado opened the floor for questions or comments.

There being no questions or comments, Mr. Nollado asked for a motion for approval of the re-election of SGV.

On motion of Mr. Gabriel K. Dizon, seconded by Ms. Vanessa V. Barrameda, the stockholders approved the re-election SGV as the external auditor of the Company 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 1) the re-election of Sycip Gorres Velayo & Co. as the Corporation's external auditor for the current fiscal year; and 2) its audit fees."

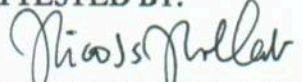
#### **XI. ADJOURNMENT**

There being no other business to discuss, on motion of Ms. Estrelita B. Laban, seconded by Ms. Sara Maese M. Espina, the meeting was adjourned.



**ATTY. MARK S. GORRICETA**  
Corporate Secretary

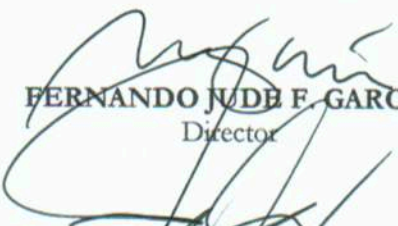
**ATTESTED BY:**



**NICO JOSE S. NOLLEDO**  
Chairman, President and Chief Executive Officer



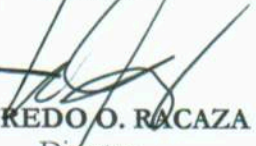
**Minutes read and approved by:**



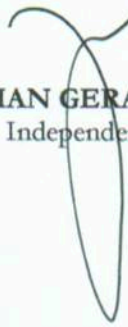
**FERNANDO JUDE F. GARCIA**  
Director



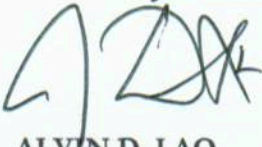
**RAYMOND GERARD S. RACAZA**  
Director



**WILFREDO O. RACAZA**  
Director



**JONATHAN GERARD A. GURANGO**  
Independent Director



**ALVIN D. LAO**  
Independent Director



**XURPAS INC.**  
**2016 ANNUAL STOCKHOLDERS' MEETING**  
 May 11, 2016 at 9:00 a.m.  
 Main Lounge of the Manila Polo Club, McKinley Road, Makati City

**TABULATION OF VOTES**

Total Outstanding Shares: **1,720,000,660<sup>1</sup>**

Quorum: **1,372,004,545**

Percentage of Attendance: **79.77%**

AGENDA	VOTES IN FAVOR		VOTES AGAINST		ABSTAIN	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Approval of Minutes of 2015 Stockholders' Meeting (May 27, 2015)	1,460,541,778	84.92%	NIL		495,900	0.03%
Annual Report of the Chief Operating Officer	1,460,061,278	84.89%	NIL		976,400	0.06%
Approval of the Employee Stock Option Plan	1,442,750,769	83.88%	17,791,009	1.03%	495,900	0.03%
Ratification of all acts and resolutions of the Board of Directors	1,460,061,278	84.89%	NIL		976,400	0.06%
<b>Election of Directors</b>						
1) Nico Jose S. Nollado	1,406,285,745	81.76%	52,441,434	3.05%	1,060,299	0.06%
2) Raymond Gerard S. Racaza	1,406,282,495	81.76%	52,441,434	3.05%	1,060,299	0.06%
3) Fernando Jude F. Garcia	1,406,231,995	81.76%	52,441,434	3.05%	1,060,299	0.06%
4) Mercedita S. Nollado	1,388,999,185	80.76%	69,674,234	4.05%	1,060,299	0.06%
5) Wilfredo O. Racaza	1,389,000,085	80.76%	69,674,234	4.05%	1,060,299	0.06%
6) Alvin D. Lao (Independent Director)	1,458,667,419	84.81%	NIL		1,060,299	0.06%
7) Jonathan Gerard A. Gurango (Independent Director)	1,457,917,179	84.76%	NIL		1,060,299	0.06%
Appointment of External Auditor: SyCip Gorres Velayo & Co. (SGV)	1,451,890,269	84.41%	8,651,009	0.50%	495,900	0.03%

<sup>1</sup> As of March 3, 2016