



January 5, 2022

PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Tower
5th Ave. corner 28th St., Taguig
Philippines

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Re: **Xurpas' Plans**
Response to additional information
requested by the Exchange

Ladies and Gentlemen:

In connection with the Exchange's request for additional information in relation to the impact of the termination of the definitive agreements executed on September 20, 2020 ("**Definitive Agreements**") with Wavemaker Group, we provide below a more detailed discussion on Xurpas' (referred herein as "**Xurpas**" or the "**Company**") Business.

Xurpas was founded in 2001, and for over the first ten years mainly provided mobile content services to local Telecommunication Companies ("**Telcos**"), known in the industry as mobile Value Added Services (VAS). This content comprised mostly SMS-based information and entertainment content. As was industry practice during this time, these services were charged to end consumers via recurring subscription, which was shared between the Telcos and VAS providers such as Xurpas. During this period, the Company also provided custom software development to enterprise clients, such as Telcos, among others. In 2011, the Company capitalized on the growth of both affordable mobile internet access and the increasing penetration of more sophisticated smart phones, shifting its focus to first web and then mobile games.

In December 2014, Xurpas had a successful initial public offering wherein its outstanding common shares were listed with the Philippine Stock Exchange ("**IPO**"). As stated in the Company's Prospectus, Xurpas is a technology company specializing in the creation and development of digital products and services for mobile end-users, as well as the creation, development and management of proprietary platforms for mobile operators. Xurpas' prospectus identified three (3) Main Products and Services: (a) Mobile Consumer Content and Services ("**Mobile Consumer business**"); (b) Mobile Enterprise ("**Enterprise Business**"); and (C) Other Services; Mobile Marketing Solutions.

The Company had outstanding revenue and income performance after its IPO due to the growth of its existing business, and the additional revenues brought about by its acquisition or investment in several technology companies both locally and abroad.



Since then, the Company's business segments evolved to (a) Mobile Consumer Business; (b) Enterprise Business; and (c) Other Services – HR Technology Services.

In 2018, its major client Telco implemented certain changes to its system that changed how subscribers were charged, as well as new and stricter opt-in guidelines for customers who sign up for VAS subscriptions. Both changes adversely impacted the Company's business severely, as well as all VAS providers in the country. Xurpas lost millions of its subscribers – a portfolio that the Company had built up for well over a decade. As a result of these new policies and measures implemented by the Telco, the Company's mobile consumer business attributed to the Telcos declined by 98% from 2017 to 2019.

For the past two years, the Company has been rebuilding its business organically, by redoubling efforts on its remaining core business, particularly in the area of IT Staff Augmentation.

In 2020, despite the covid-19 pandemic, revenues from Xurpas' core business (enterprise and mobile consumer) increased to ₱110 million, compared to ₱85 million in 2019, or a 30% increase. For the first three quarters of 2021, revenues from the same segments were already at ₱118 million, with total revenues already at ₱164 million, compared to ₱174 million for the full year 2020.

The main growth driver for the last two years continues to be the Company's staff augmentation business, which had revenue of ₱16 million in 2020, but is now at ₱66 million for the first three quarters of 2021. We are also hiring aggressively to meet growing demand, with headcount for our enterprise segment growing to 93 compared to 56, a year ago.

Likewise, the AllCare business of Storm Technologies, another subsidiary, had tremendous growth. AllCare provides subscriptions of HMO and other pre-need employee benefits to small teams and freelancers. Its revenues increased from ₱2 million in 2019, to ₱8 million in 2020, registering a 331% increase. For the first three quarters of 2021, revenues were already at ₱21 million.

From net losses (not including extraordinary gains) of ₱541 million and ₱4 million in Q3 2019 and Q3 2020 respectively, Xurpas managed to post a profit of ₱5 million in Q3 of 2021, further highlighting the continuing improvement in the Company's overall situation.

Xurpas' Business Segments. Today, the Company is operating with three business segments:

- a. **Enterprise Business**, which refer to IT staff augmentation; the provision of mobile platform solutions to corporate and government clients, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development. For the IT staff augmentation business, Xurpas employees are seconded to its clients. For its custom development business, the client is given the option to further engage Xurpas for the maintenance of the system solution developed or implemented by the Company. This is an old



business/revenue source of Xurpas. Currently, ten (10) employees are involved in the maintenance agreements we have with our clients.

- b. **Mobile Consumer Business**, which is a value-added service (VAS) delivered through the Company's contracts with the Telcos, including the games business, which used to be the major revenue contributor. Currently, this segment only contributes 0.5% to the revenues. This business also includes mobile marketing and digital rewards.
- c. **HR Technology Services**, wherein the Company, through Storm Technologies Inc. and Allcare Technologies Philippines Inc., provide services related to 1) the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which include sale of goods; and 2) subscriptions offering of HMO and other pre-need employee benefits to small teams and freelancers.

A summary of Xurpas Group's businesses is attached as Annex "A".

Termination of Definitive Agreements with Wavemaker. While the Company was working on completing the transaction with Wavemaker during the past two years, the Definitive Agreements between the parties stipulated that closing for the transaction must be completed by December 31, 2020. As such closing was predicated on Xurpas securing regulatory approval for the transaction, which the Company failed to obtain, the aforementioned condition of a closing by December 31, 2020 was not met. The parties therefore mutually agreed to terminate the proposed transaction and part ways amicably.

The Company would like to stress that substantially all the improvements in the Company's business for the past two years were achieved by Xurpas itself, independent of Wavemaker. It must be noted that Xurpas never received any significant financial assistance from Wavemaker. At no time did Wavemaker have any management or director role in Xurpas. While it is true that Xurpas provided limited enterprise services to Wavemaker's affiliates over the past two years, revenues generated from these engagements comprised only 2% of the Company's total revenues during the period. Moreover, Wavemaker and its affiliates are not expected to be a significant revenue contributor to Xurpas for 2022. Considering the foregoing, the Company does not foresee any material effect on its business that can be attributed to the termination of the agreement with Wavemaker.

The termination of the proposed transaction with Wavemaker, together with the strong demand for IT services which is expected to continue in a post-covid "new normal" environment, are opportunities for Xurpas to further grow its core business.

Xurpas Moving Forward. As mentioned previously, the Company will continue to operate with three (3) Business Segments, namely: (a) Mobile Consumer Business; (b) Enterprise Business; and (c) Other Services – HR Technology Services.

For the Enterprise business, Xurpas intends to continue building its IT Staff Augmentation business, as this has been the Company's growth driver over the past two years, bolstered by



growing natural demand for such services, and further enhanced because of the pandemic. Xurpas continues its servicing of a leading Telco as a long-standing major client, and the Company expects significant continued and growing staff augmentation business from this client into 2022.

Beyond growing its business locally, there are also potential opportunities for Xurpas to service international clients, owing to the Company's relationships built over the years. In 2021 for instance, Xurpas provided virtual staff augmentation to a client in Australia. While the business is still very small, it represents an opportunity to grow revenue streams outside the Philippines.

For its custom software development business, Xurpas entered into strategic sales and marketing tie-ups with other entities who provide ERP and payment gateway platforms, among others. This enabled Xurpas to augment its product offerings to enterprise clients, with some modest initial sales in 2021, among SMEs. The Company will continue doing projects involving web development, applications development (both for iOS and Android), cloud solutions, systems integration, user portals, e-commerce and managed services. In the short to medium term, the Company plans to grow this business, targeting mid-sized clients (that make up the bulk of Philippine companies) who cannot afford extremely high priced offerings from large international IT companies. In addition, the Company is in discussions with other major blue chip clients for custom application development services, and also has a number of prospective projects with certain government agencies and/or LGUs. All of these are expected to bear fruit in the next 12 months.

For its HR technology business, evolving clients' needs in a "new normal" as we emerge from the long pandemic, and the potential shift in working conditions post-COVID plays into Storm Technologies' strengths, as the subsidiary caters to hybrid teams and freelancers. Finally, for its residual mobile consumer business segment, Xurpas will continue to build recurring revenue streams opportunistically.

Equity Restructuring. The Company's losses incurred for the previous years is at Php3.2 billion as of September 30, 2021. To address this issue, Xurpas management is currently evaluating the option of applying for an equity restructuring with the Securities and Exchange Commission (SEC) which will entail using Xurpas' additional paid-in capital (APIC) amounting to Php3.5 billion to wipe out the parent company's deficit in 2021. This will improve the Company's financial profile and optimize its performance moving forward.

The Company expects that the foregoing measures will be able to improve the Company's financial position and shareholder value.

Opportunities, Investments, Platforms. The main investment to be undertaken by the Company is the further hiring of developers to fill the immediate needs of the Company's IT Staff Augmentation business. Xurpas' adoption of a hybrid work-from-home arrangement for employees gives it the opportunity to hire talents even if they are not based in Manila. This increases the available pool of resources for the Company, and mitigates the risk of competition for IT talent.



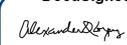
With respect to the new products and platforms, as previously mentioned, the Company is able to offer these to its clients through sales and marketing tie-ups with third parties.

All these plans will be implemented via internally generated funds, as the Company intends to remain free of external debt.

Together with the continued steady growth in revenue, the Company is clearly in a better condition today than it was two years ago, which also puts it in a stronger position to opportunistically seek other potential strategic partnerships and relationships later on, that will help unlock the potential of its current businesses, and create value for all shareholders.

We trust that you will find the foregoing in order.

Very truly yours,

DocuSigned by:

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ALEXANDER D. CORPUZ
President

DISCLAIMER ON FORWARD LOOKING STATEMENTS. *Certain information set forth in this letter contains “forward-looking information”, including “future-oriented financial information” and “financial outlook” (collectively referred to herein as forward-looking statements). These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.*

Although forward-looking statements contained in this letter are based upon what management of the Company believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change except as required by applicable laws. The public is cautioned not to place undue reliance on forward-looking statements.



ANNEX "A"
XURPAS' INVESTEE COMPANIES

Provided below are the status of business operations of the entities where Xurpas Inc. has direct investments:

Company	Place of Incorporation	Percentage of Ownership	Business Segment	Status
Xurpas Inc. (Parent Company)	Philippines	-	Mobile Consumer Services	Operating
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	Philippines	51.31%	HR Technology Services	Operating
Seer Technologies Inc.	Philippines	70.00%	Enterprise Services	Operating
Xurpas Enterprise Inc.	Philippines	100.00%	Enterprise Services	Operating
PT Sembilan Digital Investama	Indonesia	49.00%	Mobile Consumer	Operating
Micro Benefits Limited	Hong Kong	23.53%	HR Technology Services	Operating
Altitude Games Pte. Ltd	Singapore	21.78%	Mobile Consumer Services (games)	Operating
Altitude Games Inc.	Philippines	21.17%	Mobile Consumer Services (games)	Operating



Company	Place of Incorporation	Percentage of Ownership	Business Segment	Status
Art of Click Pte. Ltd.	Singapore	100.00%	Mobile Consumer Services	Ceased operations pursuant to board approval dated March 30, 2020
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	Philippines	100.00%	Mobile Consumer Services	Ceased Operations / For dissolution
Xeleb Inc. (owned by Xeleb Technologies Inc.)	Philippines	100.00% (100% owned by Xeleb Technologies Inc.)	Mobile Consumer Services	Ceased Operations / For dissolution
CTX Technologies Inc.	Phillippines	100.00%	Money service business (Virtual Currency Exchange)	No revenue contribution from 2018-2019. In 2020, it was sold to a related party.
MatchMe Pte. Ltd	Singapore	29.10%	Mobile Consumer Services	No operations