

# COVER SHEET

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S.E.C. Registration No.

[illegible]

(Company's Full Name)

[illegible]

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

MARK S. GORRICETA (CORPORATE SECRETARY)

Contact Person

**(632) 8889-6467**

Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

20-1S

FORM TYPE

2ND WEDNESDAY OF  
AUGUST

Month Day

Annual Meeting

N/A

Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

N/A
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Amended Articles Number/Section

\_\_\_\_\_

Total No. of Stockholders

Total Amount of Borrowings

N/A
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Domestic

N/A
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Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document I.D.

Cashier

STAMPS

## STAMPS

## NOTICE OF 2024 SPECIAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the special meeting of stockholders of Xurpas Inc. (the "Company") will be conducted virtually through the Zoom Videoconference facility [Zoom ID: 853 8966 6007] on February 21, 2024 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, 2023
4. Approval and Ratification of Matters Relating to the Art of Click Transaction
  - a. Approval of the Buy-Back and Listing of 53,298,242 Xurpas common shares
  - b. Ratification of the issuance and approval of the listing of the 16,641,244 Xurpas Common shares issued to Wavemaker Labs Pte. Ltd.
  - c. Approval of the Placing and Subscription Agreement with Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia;
  - d. Ratification of the Issuance and Approval of the Listing of 67,285,706 Common Shares issued to Messrs. Nollado, Racaza and Garcia pursuant to the Placing and Subscription Agreement.
5. Ratification of the issuance and approval of the listing of 181,818,182 Common Shares issued to Mr. Nico Jose S. Nollado in 2022
6. Other Matters
7. 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: [ssm2024.xurpas.com](https://ssm2024.xurpas.com). Registration starts on January 11, 2024. Stockholders may also submit the required forms by sending an email to the Corporate Secretary at [corpsec@xurpas.com](mailto: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](mailto: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 **January 10, 2024** ("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.**

December 22, 2023.



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



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All submissions shall be subject to validation procedures of Xurpas Inc. The deadline for Registration, Voting *in absentia* and Proxy Submission is on **February 15, 2024**. Validation of all submitted ballots for the voting *in absentia* and proxies shall be done on **February 16, 2024**. 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 **February 19, 2024**. If you need any assistance, you may contact us at [corpsec@xurpas.com](mailto:corpsec@xurpas.com).

Access to Xurpas Inc.'s Notice and Agenda, Definitive Information Statement, Proxy and other documents required for the Special 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](mailto:corpsec@xurpas.com).

Please submit all questions and comments to [corpsec@xurpas.com](mailto:corpsec@xurpas.com) on or before February 16, 2024, 5:00 p.m.

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## EXPLANATION OF AGENDA ITEMS

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### 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: 853 8966 6007. Stockholders who have registered via [ssm2024.xurpas.com](http://ssm2024.xurpas.com) will be given the security code through e-mail on February 19, 2024.

### 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 [ssm2024.xurpas.com](http://ssm2024.xurpas.com) (“Registration”). The deadline for Registration is on **February 15, 2024**.
2. Stockholders may also submit their proxies through <http://asm2023.xurpas.com>. The **deadline for submission of Proxy is on February 15, 2024, 5:00 P.M.** The validation of the proxies shall be conducted on **February 16, 2024**.
3. Questions and comments may be sent prior to or during the meeting at [corpsec@xurpas.com](mailto:corpsec@xurpas.com) and shall be limited to the items in the Agenda. Kindly send questions and comments on or before **February 16, 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 [ssm2024.xurpas.com](http://ssm2024.xurpas.com)
  - 5.2. Stockholders may issue a Proxy authorizing the Chairman of the meeting to vote on their behalf via [ssm2024.xurpas.com](http://ssm2024.xurpas.com)
6. The Corporate Secretary shall tabulate and validate all votes received on February 16, 2024
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, 2023 are attached in the Information Statement and posted at the company website.

### Approval and Ratification of Matters Relating to the Art of Click Transaction

- a. Approval of the Buy-Back and Listing of 53,298,242 Xurpas common shares
- b. Ratification of the issuance and approval of the listing of the 16,641,244 Xurpas Common shares issued to Wavemaker Labs Pte. Ltd.
- c. Approval of the Placing and Subscription Agreement with Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia
- d. Ratification of the Issuance and Approval of the Listing of 67,285,706 Common Shares issued to Messrs. Nollado, Racaza and Garcia pursuant to the Placing and Subscription Agreement

Emmanuel Michel Jean Allix (“Allix”), Wavemaker Labs Pte. Ltd (“Wavemaker”) and Xurpas Inc. (“Xurpas”) entered into a Share Purchase Agreement (“SPA”) on October 6, 2016. Allix and Wavemaker are the sellers to the shares in Art of Click Pte. Ltd. (“Sale Shares”), while Xurpas will be the Buyer/Purchaser of the Sale Shares.

The SPA also provides for a Conditional Deferred Payment, which are to be paid in Xurpas Shares and which shall be dependent on the financial performance of AOC, to be distributed in the next three years.

The aggregate consideration is approximately US\$45 million. The consideration consists of both cash and Xurpas shares.

The SPA provides for a period within which to list the Xurpas Shares issued to the Sellers. In fact, the First Commitment Date for the listing of the shares is no later than four (4) months from Closing Date.

Accordingly, Xurpas paid the following on October 16, 2016:

Name of Seller	Emmanuel Michel Jean Allix	Wavemaker Labs Pte. Ltd.	Art of Click / ESOP Shareholders
1 <sup>st</sup> Tranche	US\$2,797,106 in cash and US\$14,823,436 worth of Xurpas Shares; <b>For the Xurpas Shares, Xurpas issued 53,298,242 common shares.</b>	US\$4,628,303 worth of Xurpas Shares; For the Xurpas Shares, Xurpas issued 16,641,244 common shares.	US\$2,202,894 in cash.

On May 19, 2017, the Parties executed an Agreement amending the terms of the Share Purchase Agreement, wherein it adjusted the First Commitment Date to May 31, 2017, and accordingly provide for cash guarantee contemplated in various scenarios.

Since the Company failed to list the Xurpas Shares within the agreed period and it wanted to adjust the purchase price and payment terms, the Company and Allix entered into an agreement on June 7, 2017 wherein it adjusted the Purchase Price for the purchase of Art of Click, and the payment terms which shall be solely in cash. Accordingly, Allix acknowledged that it received upfront payment (in cash) in 2016. The Deferred Purchase Price Consideration payable to Allix was also adjusted, and shall be paid in cash.

On October 2, 2017, the Parties agreed that Allix and Wavemaker will no longer be entitled to any deferred payment consideration, which was preliminary based on AOC’s performance metrics.

The Company and Wavemaker entered into an agreement on October 3, 2017 (specifically the provisions pertaining to the Wavemaker Sale Shares Purchase Price under Section 3.1 of the SPA, and other relevant terms and conditions thereof). The Revised Agreement was approved by the Board of Directors of the Company on February 22, 2018.

Based on Section 2.1 of the Revised Agreement, the Company and Wavemaker agreed to revise Section 3.1 of the SPA to adjust the Wavemaker Sale Shares Purchase Price (as defined in the SPA) from USD5,652,651 to USD9,523,682.76 (“Revised Wavemaker Sale Shares Purchase Price”).

Accordingly, as provided in the Revised Agreement executed on October 3, 2017, the Parties agreed that the Revised Wavemaker Sale Shares Purchase Price shall also be used as follows:

- (a) Php223,824,733.08 shall be used by Wavemaker to pay for the **subscription to 16,641,244 common shares**; and
- (b) **Purchase from Messrs. Nico Jose S. Nollado, Fernando Jude F. Garcia and Raymond Gerard S. Racaza (Founders) an aggregate of 67,285,706 listed common shares** (which formed part of the Placing and Subscription Agreement). Wavemaker paid Php255,685,682.8 (or a Php3.80 per share) to the Founders, and the Founders used the same to subscribe to new unlisted shares in Xurpas.



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***Ratification of the issuance and approval of the listing of 181,818,182 Common Shares issued to Mr. Nico Jose S. Nollado in 2022 when it subscribed to additional Xurpas Shares***

On January 20, 2022, Xurpas entered into a Subscription Agreement with one of its principal shareholders, Nico Jose S. Nollado, 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 on its corporate books.

**XURPAS INC.**  
**Special Stockholders' Meeting**  
**February 21, 2024**

*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 January 10, 2024 are entitled to attend the virtual Stockholders' Meeting and Vote in Absentia. Register via [ssm2024.xurpas.com](https://ssm2024.xurpas.com)

**Registration and Voting *in absentia* starts on January 11, 2024 Deadline for Registration, Voting *in absentia* and/or Submission of Proxy is on February 15, 2024.**



Registered Stockholders of Xurpas Inc. as of Record Date will receive their security code for the virtual Stockholders' Meeting via e-mail on February 19, 2024.

The meeting will be accessible (live) on February 21, 2024, at 9:00 AM via Zoom Videoconference facility (Zoom ID: 853 8966 6007)

**You may contact us at [corpsec@xurpas.com](mailto: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 [ssm2024.xurpas.com](http://ssm2024.xurpas.com)

Registration Starts on January 11, 2024

**I. Registration**

<b>For Individual Shareholder</b>	<i><u>Please fill up</u></i>	<b>For Corporate Shareholders</b>	<i><u>Please fill up</u></i>
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	<i>Please upload</i>
Broker's Certification ( <i>if applicable</i> )	<i>Please upload</i>
Secretary's Certificate ( <i>for Corporate Shareholders</i> )	<i>Please upload</i>

<b>(Yes or No)</b>	I hereby certify that I am a stockholder of Xurpas Inc. as of Record Date ( <b>January 10, 2024</b> ) and I signify my intention to attend the virtual stockholders' meeting on <b>February 21, 2024</b> 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 <b>February 19, 2024</b> .
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**II. Voting in Absentia or Issuance of Proxy**

<b>Please choose one (1)</b>			
<b>Voting in Absentia</b>		<b>Proxy</b>	
<i>Please accomplish Ballot</i>		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 special meeting of the stockholders on February 21, 2024 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**

	<b>Matters for Approval</b>	<b>For*</b>	<b>Against*</b>	<b>Abstain</b>
1.	Approval of the Minutes of the Previous Stockholders' Meeting held on August 9, 2023			
2.	Approval of the Buy-Back and Listing of 53,298,242 Xurpas common shares			
3.	Ratification of the issuance and approval of the listing of the 16,641,244 Xurpas Common shares issued to Wavemaker			
4.	Approval of the Placing and Subscription Agreement with Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia			
5.	Ratification of the Issuance and Approval of the Listing of 67,285,706 Common Shares issued to Messrs. Nollado, Racaza and Garcia pursuant to the Placing and Subscription Agreement.			
6.	Ratification of the issuance and approval of the listing of 181,818,182 Common Shares issued to Mr. Nico Jose S. Nollado in 2022			

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

<b>Other Terms and Conditions</b>	
(You will not be able to proceed with the submission if any item is left blank)	
	In case of an account with <i>joint owners</i> , or an account in an <i>and/or capacity</i> , 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 <a href="http://www.xurpas.com">http://www.xurpas.com</a> .
	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]**

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**REMINDER:**

This Registration Form shall be accomplished and submitted **on or before February 15, 2024 5:00 p.m.** Stockholders may also accomplish this Registration Form and submit directly to [corpsec@xurpas.com](mailto: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 February 16, 2024. Security Code will be sent to the e-mail of the stockholders who have submitted their registration on February 19, 2024. 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**  
Address of principal office **1227**  
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:** February 21, 2024, Friday  
**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: 853 8966 6007

<b>Registration and Voting</b> in Absentia and/or Proxy Submission	Registration will start on January 11, 2024	<a href="http://ssm2024.xurpas.com">ssm2024.xurpas.com</a>
Special Stockholders' Meeting	Live on February 21, 2024, 9:00 A.M.	Videoconference Facility  Zoom Meeting ID: 853 8966 6007  The Security Code will be sent via e-mail on or before February 19, 2024.

9. Approximate date on which the Information Statement is first to be sent or given to security holders **January 19, 2024**

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
<b>Common Shares</b>	<b>2,509,683,812</b>

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

Date: **February 21, 2024, Friday**  
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: 853 8966 6007

<b>Registration and Voting in Absentia and/or Submission of Proxy</b>	Registration will start on January 11, 2024	<a href="http://ssm2024.xurpas.com">ssm2024.xurpas.com</a>
Special Stockholders' Meeting	Live on February 21, 2024, 9:00 A.M.	Videoconference Facility Zoom Meeting ID: 853 8966 6007  The Security Code will be sent via e-mail on or before February 19, 2024.

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:

**January 19, 2024. Copies of the Information Statement and Proxy Forms to be physically distributed to the stockholders as of record date. The Information Statement will also be available via PSE EDGE will be 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 Special 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. Mr. Fernando Jude F. Garcia has an interest in the *Approval and Ratification of Matters Relating to the Art of Click Transaction*, taking into account that the shares that were issued to him will form part of the matters for stockholders' approval. All other incumbent directors and executive officers and their associates, have no substantial interest in any matter to be acted upon at the meeting other than
- b. No director has informed the Corporation of his opposition to any matter to be acted upon at the meeting.

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**B. CONTROL AND COMPENSATION INFORMATION**

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**Item 4. Voting Securities and Principal Holders Thereof****a. Class of voting shares**

Number of outstanding shares as  
of January 10, 2024 : **2,509,683,812 common shares**

Number of votes per share : **One vote each share of stock held  
as of record date of January 10, 2024**

**b. Record date**

All stockholders of record as of January 10, 2024 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 November 30, 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:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares and Nature of Ownership (Direct or Indirect)</b>	<b>Percent of Class</b>
Common	<b>Fernando Jude F. Garcia</b> North Lane,	Fernando Jude F. Garcia	Filipino	564,803,840 (Direct)	22.5%

	Jem 2 Subd., Tandang Sora, Quezon City (Director, Chief Technology Officer and Treasurer)				
Common	<b>Raymond Gerard S. Racaza</b> One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City (Principal Shareholder)	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	14.97%
Common	<b>Nico Jose S. Nolledo</b> Urdaneta Tower, Ayala Avenue, Makati City (Principal Shareholder)	Nico Jose S. Nolledo	Filipino	730,213,914 (Direct) and 39,169,763 (Indirect) <sup>1</sup>	30.66%
Common	<b>PCD Nominee Corp. (Filipino)</b>	PCD participants acting for themselves and for their customers <sup>2</sup>	Filipino	541,770,320 (Direct)	21.59%
Common	<b>PCD Nominee Corp. (Non- Filipino)</b>	PCD participants acting for themselves and for their customers	Non- Filipino	207,938,533 (Direct)	8.29%

As of November 30, 2023, 11.72% of the outstanding shares of the Corporation are held by foreigners.

<sup>1</sup> Shares registered in the name of Eden International Holdings Pte. Ltd.

<sup>2</sup> 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 November 30, 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	<b>Jonathan Gerard A. Gurango</b> Chairman and Chief Executive Officer	Filipino	412,499 (Direct)	0.01%
Common	<b>Alexander D. Corpuz</b> Director, President, Chief Finance Officer and Chief Information Officer	Filipino	1,000 (Direct)	Nil
Common	<b>Fernando Jude F. Garcia</b> Director, Chief Technology Officer and Treasurer	Filipino	564,803,840 (Direct)	22.50%
Common	<b>Wilfredo O. Racaza</b> Director	Filipino	1,060 (Direct)	Nil
Common	<b>Imelda C. Tiongson</b> Independent Director	Filipino	1,000 (Direct)	Nil
Common	<b>Bartolome S. Silayan, Jr.</b> Independent Director	Filipino	2,000 (Direct)	Nil
Common	<b>Christopher P. Monterola</b> Independent Director	Filipino	1,000,000 (Direct)	Nil
Common	<b>Jonathan Juan DC Moreno</b> Independent Director	Filipino	10,000 (Direct)	Nil
N/A	<b>Jose Vicente T. Colayco</b> Chief Operating Officer and Chief Business Development Officer	Filipino	-	-
N/A	<b>Angela Sigrid Along</b> Chief Compliance Officer and Chief Risk Officer	Filipino	-	-
N/A	<b>Mark S. Gorriceta</b> Corporate Secretary and Chief Legal Officer	Filipino	-	-
<b>Total (Directors and Officers as a Group)</b>			566,231,339	22.56%

## 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.

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**Item 5. Directors and Executive Officers**

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

On August 9, 2023, the Corporation held its 2023 Annual Stockholders' Meeting wherein eight (8) directors were elected as such for the ensuing year. Four (4) out of the seven (8) directors are independent.

The table below sets forth the Company's directors:

<b>Directors</b>	<b>Nationality</b>	<b>Position</b>	<b>Age</b>	<b>Year Position was Assumed</b>
Jonathan Gerard A. Gurango	Filipino	Executive Director (Chairman and Chief Executive Officer)	66	2022 <sup>3</sup>
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)	50	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	75	2001
Imelda C. Tiongson	Filipino	Independent Director	57	2020
Bartolome Silayan, Jr.	Filipino	Independent Director	57	2020
Christopher P. Monterola	Filipino	Independent Director	47	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:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Mark S. Gorriceta	45	Filipino	Corporate Secretary and Chief Legal Officer
Angela J. Along	46	Filipino	Chief Compliance Officer and Chief Risk Officer
Jose Vicente T. Colayco	53	Filipino	Chief Operating Officer

**Background Information**

**Jonathan Gerard A. Gurango**, 66, 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

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<sup>3</sup> Mr. Jonathan Gerard A. Gurango was elected as Independent Director of Xurpas Inc. from 2014 to 2022.

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, 50, 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, 75, 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.,** 57, 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,** 47, 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. (MRS GI). 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 as of November 30, 2023 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Jonathan Gerard A. Gurango	10/10	100%
Alexander D. Corpuz	10/10	100%
Fernando Jude F. Garcia	10/10	100%
Wilfredo O. Racaza	10/10	100%
Imelda C. Tiongson	10/10	100%
Bartolome S. Silayan, Jr.	10/10	100%
Christopher P. Monterola	10/10	100%
Jonathan Juan DC Moreno	3/3 <sup>4</sup>	100%
<b>Total Number of Meetings</b>	<b>10</b>	<b>-</b>

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					M

<sup>4</sup> Mr. Jonathan Juan DC Moreno was only appointed as independent director on August 9, 2023.

Alexander D. Corpuz	M					C
Wilfredo O. Racaza			M	C		
Imelda C. Tionson		C	M		M	
Bartolome S. Silayan, Jr.		M			C	
Christopher P. Monterola		M	C	M		M
Jonathan Juan DC Moreno		M	M	M	M	
Jose Vicente T. Colayco	M					

*C- Chairman*  
*M- Member*

(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**

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 threatened 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. The loan agreements were signed on April 29, 2019. See Note 17 of the Corporation’s consolidated financial statements for transactions as of December 31, 2022.



On January 20, 2022, Xurpas entered into a Subscription Agreement with one of its principal shareholders, Nico Jose S. Nollado, 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.

On June 30, 2023, the Board of Directors of Xurpas approved the conversion of the advances to equity made by Mr. Fernando Jude F. Garcia and Mr. Nico Jose S. Nollado (the "Assignors"). The aggregate amount of the advances to be converted into equity is Php136,520,626.34. The Company and the Assignors signed the MOA on June 30, 2023.

The MOA provides that the Conversion Price per Share shall be above market price, calculated based on the weighted average of the closing prices for a period of thirty (30) trading days prior to the execution of the Memorandum of Agreement ("Effective Date"), and shall be supported by a Fairness Opinion issued by an independent firm in relation to the transaction. Within thirty (30) calendar days from the Effective Date, the Assignors shall execute a Deed of Assignment of Advances.

On July 28, 2023, the Board of Directors of Xurpas approved the conversion price of Php0.30 per share. The foregoing conversion price is supported by a Fairness Opinion issued by Isla Lipana & Co. ("PWC"). The Company and the Assignors signed the Deed of Assignment of Advances on July 28, 2023.

On October 10, 2023, the Company received the Certificate of Approval of Valuation from the SEC. On November 13, 2023, the Company recorded the issuance of 455,068,753 common shares from the unissued portion to the Assignors 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 22.5% 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. Nollado and Mr. Raymond Gerard S. Racaza have resigned from any management role and currently owns 22.63% and 18.29% of the Corporation, respectively.

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. Nollado 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. Nollado 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**

There are no matters or actions to be taken up in the meeting with regard to: (i) any bonus, profit sharing, or other compensation plan, contract, or arrangement in which any director, nominee for election as a director, or executive officer of the Issuer will participate, (ii) any pension or retirement plan in which any such person will participate, or (iii) the granting or extension to any such person of any option/s, warrant/s, or right/s to purchase any securities, other than warrants or rights issued to security holders

as such, on a pro rata basis. Neither is a solicitation to be made on behalf of persons, including the Issuer.

#### **Item 7. Independent Public Accountants**

No action will be taken during the Stockholders' Meeting as regards the election, approval, or ratification of the Issuer's accountant.

#### **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 "B";
- b. Consolidated Financial Statements of the Issuer as of and for the period ended 31 December 2022 is attached as Annex "C"; and
- c. Unaudited Consolidated Financial Statements as of September 30, 2023 is attached as Annex "D".

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

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, 2023

The Minutes of the 2023 Annual Stockholders' Meeting held last August 9, 2023 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.

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, 2023 will be presented to the stockholders for approval. See attached Annex "A" for a copy of the minutes of the previous meeting.

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

There are no matters or actions to be taken up in the meeting with respect to the amendment of the Issuer's Articles of Incorporation, By-Laws or other documents.

#### **Item 18. Other Proposed Action**

These are the following proposed actions to be taken during the meeting on February 21, 2024:

- a. Approval and Ratification of Matters Relating to the Art of Click Transaction
  - i. *Approval of the Buy-Back and Listing of 53,298,242 Xurpas common shares*
  - ii. *Ratification of the issuance and approval of the listing of the 16,641,244 Xurpas Common shares issued to Wavemaker*
  - iii. *Approval of the Placing and Subscription Agreement with Nico Jose S. Nollado, Raymond Gerard S. Racaza and Fernando Jude F. Garcia*
  - iv. *Ratification of the Issuance and Approval of the Listing of 67,285,706 Common Shares issued to Messrs. Nollado, Racaza and Garcia pursuant to the Placing and Subscription Agreement*

Emmanuel Michel Jean Allix ("Allix"), Wavemaker Labs Pte. Ltd ("Wavemaker") and Xurpas Inc. ("Xurpas") entered into a Share Purchase Agreement ("SPA") on October 6, 2016. Allix and Wavemaker are the sellers to the shares in Art of Click Pte. Ltd. ("Sale Shares"), while Xurpas will be the Buyer/Purchaser of the Sale Shares.

The SPA also provides for a Conditional Deferred Payment, which are to be paid in Xurpas Shares and which shall be dependent on the financial performance of AOC, to be distributed in the next three years.

The aggregate consideration is approximately US\$45 million. The consideration consists of both cash and Xurpas shares.

The SPA provides for a period within which to list the Xurpas Shares issued to the Sellers. In fact, the First Commitment Date for the listing of the shares is no later than four (4) months from Closing Date.

Accordingly, Xurpas paid the following on October 16, 2016:

Name of Seller	Emmanuel Michel Jean Allix	Wavemaker Labs Pte. Ltd.	Art of Click / ESOP Shareholders
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1 <sup>st</sup> Tranche	US\$2,797,106 in cash and US\$14,823,436 worth of Xurpas Shares; <b>For the Xurpas Shares, Xurpas issued 53,298,242 common shares.</b>	US\$4,628,303 worth of Xurpas Shares; For the Xurpas Shares, Xurpas issued 16,641,244 common shares.	US\$2,202,894 in cash.
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On May 19, 2017, the Parties executed an Agreement amending the terms of the Share Purchase Agreement, wherein it adjusted the First Commitment Date to May 31, 2017, and accordingly provide for cash guarantee contemplated in various scenarios.

Since the Company failed to list the Xurpas Shares within the agreed period and it wanted to adjust the purchase price and payment terms, the Company and Allix entered into an agreement on June 7, 2017 wherein it adjusted the Purchase Price for the purchase of Art of Click, and the payment terms which shall be solely in cash. Accordingly, Allix acknowledged that it received upfront payment (in cash) in 2016. The Deferred Purchase Price Consideration payable to Allix was also adjusted as follows, and shall be paid in cash.

On October 2, 2017, the Parties agreed that Allix and Wavemaker will no longer be entitled to any deferred payment consideration, which was preliminary based on AOC's performance metrics.

The Company and Wavemaker entered into an agreement on October 3, 2017 (specifically the provisions pertaining to the Wavemaker Sale Shares Purchase Price under Section 3.1 of the SPA, and other relevant terms and conditions thereof). The Revised Agreement was approved by the Board of Directors of the Company on February 22, 2018.

Based on Section 2.1 of the Revised Agreement, the Company and Wavemaker agreed to revise Section 3.1 of the SPA to adjust the Wavemaker Sale Shares Purchase Price (as defined in the SPA) from USD5,652,651 to USD9,523,682.76 ("Revised Wavemaker Sale Shares Purchase Price").

Accordingly, as provided in the Revised Agreement executed on October 3, 2017, the Parties agreed that the Revised Wavemaker Sale Shares Purchase Price shall also be used as follows:

(a) Php223,824,733.08 shall be used by Wavemaker to pay for the **subscription to 16,641,244 common shares**; and

(b) **Purchase from Messrs. Nico Jose S. Nollado, Fernando Jude F. Garcia and Raymond Gerard S. Racaza (Founders) an aggregate of 67,285,706 listed common shares** (which formed part of the Placing and Subscription Agreement). Wavemaker paid Php255,685,682.8 (or a Php3.80 per share) to the Founders, and the Founders used the same to subscribe to new unlisted shares in Xurpas.

b. Ratification of the issuance and approval of the listing of 181,818,182 Common Shares issued to Mr. Nico Jose S. Nollado in 2022 when it subscribed to additional Xurpas Shares

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

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payment of the Subscription Price, the Corporation recorded the issuance of 181,818,182 common shares on its corporate books.

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 Special Stockholders' Meeting on February 21, 2024 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.
- Cumulative Voting
  - 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.

A stockholder may register, vote *in absentia* or submit his proxy via [ssm2024.xurpas.com](https://ssm2024.xurpas.com). Deadline for registration, voting in absentia and proxy submission is on February 15, 2024, 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](mailto:corpsec@xurpas.com). Deadline for submission of Proxies is on February 15, 2024, 5:00 p.m. Validation of proxies shall be done on February 16, 2024.

#### **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 [ssm2024.xurpas.com](https://ssm2024.xurpas.com). Deadline for registration is on February 15, 2024, 5:00 pm.

- The live webcast of the meeting shall be accessible through Zoom Meeting ID: 853 8966 6007. The stockholders who have registered through Xurpas' Registration Link shall receive the security code via e-mail on February 19, 2024. Only stockholders who have successfully registered on or before February 15, 2024, 5:00 PM shall be allowed to attend the virtual stockholders' meeting on February 21, 2024.

**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 December 22, 2023.

By:



**ATTY. MARK S. CORRICETA**

Corporate Secretary and Chief Legal Officer

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ANNEXES

ANNEX A	Minutes of Annual Stockholders' Meeting
ANNEX B	Management Report (includes Management's Discussion and Analysis)
ANNEX C	2022 Consolidated Audited Financial Statements
ANNEX D	Unaudited Consolidated Financial Statements as of September 30, 2023

**MINUTES OF THE 2023 ANNUAL STOCKHOLDERS’ MEETING OF  
XURPAS INC.**

August 9, 2023 at 9:00 A.M.  
*Via Zoom Teleconference Facility*

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The 2023 Annual Stockholders’ Meeting (the “**Meeting**”) of **Xurpas Inc.** (the “**Corporation**”) was held on August 9, 2023 at 9:00 A.M. via Zoom Teleconference Facility. The Chairman of the Meeting, Mr. Jonathan Gerard A. Gurango (“**Mr. Gurango**”), presided over the meeting.

**Stockholders Present:**

Total No. of Shares of Stockholders Present/Represented by Proxy: **1,189,239,866**

Percentage of Shares Present/Represented by Proxy: **58%**

**Directors and Officers Present:**

Jonathan Gerard A. Gurango	Chairman of the Board and Chief Executive Officer
Alexander D. Corpuz	President, Chief Finance Officer, and Chief Information Officer
Fernando Jude F. Garcia	Treasurer and Chief Technology Officer
Jose Vicente T. Colayco	Chief Operating Officer
Wilfredo O. Racaza	Director
Atty. Mercedita S. Nollado	Director
Imelda C. Tiongson	Lead Independent Director
Bartolome S. Silayan Jr.	Independent Director
Christopher P. Monterola	Independent Director
Atty. Mark S. Gorriceta	Corporate Secretary and Chief Legal Officer
Atty. Angela Sigrid J. Along	Chief Compliance Officer and Chief Risk Officer

**Others Present:**

The new nominee for director, Mr. Jonathan Juan DC Moreno, was present in the Meeting.

The representatives of SyCip Gorres Velayo & Co., the Corporation’s external auditor, were also present in the Meeting.

## **I. CALL TO ORDER**

Mr. Gurango 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 2023 Annual Stockholders’ Meeting.

Mr. Gurango informed the stockholders that the Meeting will 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 (“**SEC**”). He likewise certified that the Notice and Agenda were sent out at least twenty-one (21) days prior to the Annual Stockholders’ Meeting, in accordance with the requirements of the Revised Corporation Code.

The Notice to the stockholders provides that the stockholders may attend the meeting electronically. The stockholders were also notified that if they wish to cast their votes, they may vote through Proxy or in absentia through the ASM Registration Portal.

Further, Atty. Gorriceta certified that stockholders owning Fifty-Eight Percent (58%) of the total outstanding shares as of June 30, 2023 (“**Record Date**”) were present via remote communication or through proxy. Therefore, there was a quorum for the Meeting.

In this meeting, Xurpas engaged BDO Unibank Inc. to assist in the validation of proxy and counting of votes.

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

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

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

### **Procedure for Discussion**

Atty. Gorriceta explained that questions and comments may be sent prior to or during the meeting at corpsec@xurpas.com and shall be limited only to the items in the Agenda.

Atty. Gorriceta further explained that the questions or comments will be read aloud and addressed during the Question-and-Answer Period, which shall take place after all the matters for approval have been discussed. The Corporation will only read questions and comments which are relevant to the Agenda, and the Management will reply by electronic mail to questions and comments not taken up during the Meeting.



### **Procedure for Voting**

Atty. Gorriceta proceeded to explain that each stockholder was given an opportunity to cast their votes by submitting their ballots via the ASM Registration Portal circulated by the Corporation. Stockholders may also participate in the voting by submitting a Proxy.

As disclosed in the Corporation's Definitive Information Statement, the deadline for the submission of the ballots and/or proxies was August 1, 2023, 5:00 p.m. The Corporation has already tabulated all votes last August 4, 2023. Atty. Gorriceta stated that it is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online.

Atty. Gorriceta then explained that each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders may (a) vote such number of shares for as many persons as there are directors to be elected; or (b) may cumulate said 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 (c) distribute them on the same principle among as many candidates as he/she shall see fit. The candidates receiving the highest votes will be declared elected.

Atty. Gorriceta added that the affirmative vote of at least majority of those present in the Meeting will be needed to approve each resolution.

The above voting process was also explained in the By-Laws and the Information Statement circulated by mail and made available through the PSE Edge Portal and the Corporation's website.

### **IV. REVIEW AND APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING HELD ON AUGUST 9, 2022**

Mr. Gurango proceeded to discuss the first item on the agenda which is the approval of the minutes of the Annual Stockholders' Meeting held last year, August 9, 2022.

Atty. Gorriceta presented the number of stockholders present and represented, and the list of directors and officers who attended the previous stockholders' meeting. He also explained that the stockholders were given the opportunity to email their questions and comments. Questions and comments were read aloud and addressed during the Question-and-Answer Period, which took place after all matters for approval have been discussed.

Thereafter, Atty. Gorriceta explained that for the previous stockholders' meeting, 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. The deadline for the submission of the ballots and/or proxies was on August 1, 2022, 5:00 P.M. Consequently, the Corporation tabulated all votes on August 4, 2022.

The matters approved during the 2022 Annual Stockholders' Meeting are the following:

Description	# of Shares (For)	% of Total Outstanding Shares
Approval of the Minutes of the Annual Stockholders' Meeting held on August 11, 2021	1,219,336,758	59%
Approval of the 2021 Annual Report and Audited Financial Statements for the period ended December 31, 2021	1,219,336,758	59%
Election of Directors (Mr. Jonathan Gerard A. Gurango, Mr. Alexander D. Corpuz, Mr. Fernando Jude F. Garcia, Mr. Wilfredo O. Racaza, Atty Mercedita S. Nollado, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr.)	1,219,336,758	59%
Appointment of External Auditor – SyCip Gorres Velayo & Co.	1,219,336,758	59%
Ratification of Previous Acts of Directors and Management (January 1, 2021 to June 20, 2022)	1,219,336,758	59%

Atty. Gorriceta also noted that an electronic copy of the minutes of the previous stockholders' meeting is available in the Corporation's website.

For the voting results, Atty. Gorriceta reported that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented, voted in favor of the following resolution:

“RESOLVED, that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on August 9, 2022.”

#### **Voting Results:**

	No. of Common Shares	% based on present and/or represented in this meeting
<b>For</b>	1,189,239,866	100%

#### **V. MESSAGE OF THE CHAIRMAN**

Mr. Gurango then proceeded to give his message.

Since assuming his leadership on June 6, 2022, Mr. Gurango was pleased to report on the following significant strides taken by the Corporation:

1. The Corporation's business focused on two integral aspects - staff augmentation through its "FlexIT" business unit, and its renowned custom software development arm, "Software

Builders." These two pillars formed the bedrock of the Corporation's accomplishments and laid the groundwork for its journey forward.

2. In the past year, the Corporation launched its inaugural new business unit - "X3." This bold venture propelled the Corporation into the realm of Web 3.0 development services, a domain underpinned by blockchain technologies. Through X3, the Corporation has positioned itself as a pioneer, steering the course of innovation and redefining the tech industry.
3. Building upon the above momentum, the Corporation also introduced another milestone - "Xurpas Software." This dynamic business unit is dedicated to delivering modern, business-friendly software products and services, built on next-generation ERP technologies. With Xurpas Software, the Corporation has embraced progress and empowered businesses to flourish amidst the ever-evolving landscape.
4. The Corporation expanded further as it embarked on an overseas expedition, sharing the ingenuity of Xurpas Enterprise and Xurpas Software beyond the Philippine borders. The Corporation's international endeavor commenced in Australia under the banner of "Xurpas Pty Ltd." This entity stands as a testament to the Corporation's commitment to enriching businesses worldwide with innovative solutions from the Philippines.
5. Embracing the wave of transformation, the Corporation also unveiled its latest achievement - "DSAI." This pioneering business unit specializes in software products and services harnessed by data science and artificial intelligence ("AI"), positioning Xurpas at the vanguard of a technological wave set to redefine businesses across the globe. DSAI showcases the Corporation's unwavering commitment to innovation and its ambition to shape the future of business.

Mr. Gurango proceeded to discuss that he is filled with immense pride and optimism for the trajectory of the Corporation, whose journey thus far has been marked by audacity, resilience, and an unwavering dedication to pushing boundaries.

Finally, Mr. Gurango shared his gratitude towards every shareholder, employee, partner, and stakeholder who has contributed to the Corporation's success, and expressed his confidence that Xurpas will continue to shine as a beacon of innovation and excellence.

## **VI. ANNUAL REPORT OF THE PRESIDENT AND APPROVAL OF THE 2022 AUDITED FINANCIAL STATEMENTS**

Mr. Gurango then requested the President of the Corporation, Mr. Alexander D. Corpuz ("Mr. Corpuz"), to discuss the next item in the agenda which is the presentation of the Annual Report,

Mr. Corpuz proceeded to discuss the highlights and lowlights of the Corporation's 2022 Financial Performance.

Mr. Corpuz reported that overall, the revenues of the Corporation increased by 8%, which is the highest revenue attained since it pivoted and strengthened its enterprise business. Revenues from Enterprise Services increased by 43%. Moreover, there was a year-on-year increase in the revenues of the AllCare business. AllCare generated a 66% increase in revenues from PhP26 million in 2021 to PhP44 million in 2022.

He also shared another highlight for 2022, which was Xurpas' acceptance of the prestigious Golden Arrow Award on January 20, 2023 from the Institute of Corporate Directors ("ICD"). The award

recognizes outstanding publicly-listed companies in terms of corporate governance, transparency, accountability, and responsible business practices.

Mr. Corpuz also reported that there was an impairment of assets and goodwill from previous investments made by the Corporation, and uncontrollable and external factors arising from the deterioration in forex and crypto prices which significantly affected the Corporation's financial results in 2022.

Thereafter, Mr. Corpuz reported that the Corporation ended with a PhP227.32 million revenue as of the end of 2022, an 8% increase versus the PhP210.03 million revenue in 2021. The 8% increase is mainly due to the continuous growth of the Enterprise business by 43%. The Staff Augmentation business which comprises 70% of Enterprise revenues increased by 29%, which amounted to PhP117 million in 2022 from PhP91 million in 2021. Moreover, the Custom Development business which is 28% of Enterprise revenue, increased by 93% from PhP24 million to PhP46 million in 2021 and 2022, respectively. For the other business segments, there was a decrease in revenues of 61% and 16% for Mobile Consumer Services and Other Services, respectively, compared to the prior period. The Mobile Consumer business segment was de-prioritized, while other services decreased due to the suspension of the benefits segment of Storm, even as the AllCare business, had a year-on-year growth of 66% in 2022.

Mr. Corpuz proceeded to explain that there was an increase in gross profit of 56% ending at PhP57.53 million as of 2022, from the PhP37.22 million gross profit in 2021. There was a net loss of PhP75.86 million, which is a 190% decrease from the PhP26.16 million loss during the same period of the previous year. This was caused by the following:

- increase in salaries due to additional management and increase in manpower. In total, there was an increase from 155 FTE in 2021 to 179 FTE by the end of 2022, which the Management deemed as a necessary growth expense;
- increase in 2022 General and Administrative Expenses due to one-time, non-recurring, and non-operating expenses which included impairment of goodwill and assets on previous investments, and write-off of some receivables; and
- deterioration of the peso against USD and SGD.

Mr. Corpuz also reported that as of year end 2022, there was a deterioration on the total comprehensive loss of PhP122.79 million from the PhP12.56 million total comprehensive loss in 2021. This was due to the deterioration of the peso against the USD and SGD. Likewise, the tremendous drop in BTC and ETH prices caused the substantial comprehensive loss.

### **First Quarter 2023 Financial Performance Highlights**

Mr. Corpuz also reported on the Corporation's financial performance for the first quarter of 2023 ("Q12023"). At the end of Q12023, the Corporation ended with a PhP46.31 million revenue, a slight 3% decrease in revenues from PhP47.70 million during the first quarter of 2022 ("Q12022"). This was mainly because of the decrease in revenues under the de-prioritized Mobile Consumer Services which dropped by 79% in Q12023 compared to the same period last year. On the other hand, Mr. Corpuz explained that there were increases in revenues for the Enterprise Services and Other Services by 6% and 21%, respectively, due to the growth of the Custom Software Development and the AllCare business.

There was an increase in gross profit by 44% ending at PhP12.25 million as of Q12022 from the PhP8.49 million gross profit in the first quarter of 2021 (“**Q12021**”). Further, there was a net loss of PhP13.90 million, which is a 173% deterioration from the PhP5.08 million loss of the same period, the previous year. This net loss was due to the following:

- increase in salaries and wages due to additional manpower and management which the Management considered as growth expenses;
- increase in AllCare’s cost of sales caused by higher utilization of members’ claims and benefit; and
- the Company’s equity in the losses of its affiliates.

At the end of Q12023, Mr. Corpuz reported that the total comprehensive income amounted to PhP 1.11 million from the PhP15.81 million total comprehensive loss of Q12022 – showing a 107% improvement. This improvement was due to the increase in the prices of BTC and ETH, and gain recognized from the cumulative translation adjustment.

Thereafter, Mr. Corpuz shared significant events for the Corporation in 2023, as follows:

**a. Geographical, Operational and Product Expansion**

1. Xurpas Australia was established on July 2023 to offer enterprise products and services to the Australian and New Zealand markets;
2. Xurpas Software Inc. established on April 2023 to offer business solutions (ERP, HR) which will propel companies towards its digital transformation initiatives; and
3. The Corporation has also established dedicated business units focused on exploring emerging technologies such as AI and blockchain. The Corporation is developing customized AI applications and integrations that can provide businesses with valuable insights, streamline processes, and enhance overall efficiency across various industries.

**b. Sale of Altitude assets/business**

Documents relating to the sale by Altitude of its assets/business was signed on April 8, 2023. The sale is consistent with the Corporation’s desire to streamline its operations and prioritize its core businesses. The proceeds of the sale, once distributed to Xurpas, will also bring additional cash flow that would allow the Corporation to invest on its focused businesses and pursue new growth opportunities.

**c. Conversion of ₱136 million shareholder advances to equity**

1. The Memorandum of Agreement (“**MOA**”) between the Founders and the Corporation was signed on June 30, 2023. Conversion price was agreed by the parties on July 28, 2023; for which a fairness opinion was issued by Isla, Lipana, & Co. (PwC). The Deed of Assignment of Advances was also signed on same date;
2. The Corporation shall issue 455,068,753 common shares to the Founders upon receipt of approval of the SEC; and
3. The Company shall also submit an application for additional listing of the shares with the PSE.

**Sustainability Report**

Given the need to operate in a sustainable manner, Mr. Corpuz explained that the Corporation 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 Corporation'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 the Corporation to sustainability is the provision of digital transformation through its technical capabilities. As an IT company, the effects of the Corporation's operations mainly affect the economic and social aspects of sustainability.

The Corporation's Sustainability Report for the reporting period ended December 31, 2022 was attached to its Annual Report, and can be accessed through the PSE Edge or the Corporation's website.

### **Risk Management and Internal Control**

Further, the Board is responsible for the Corporation's Risk Management and Internal Control System and for reviewing its adequacy and integrity.

In establishing and reviewing the risk management and internal control system, the Board considers the materiality of relevant risks and 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 Corporation'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, Atty. Gorriceta reported that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented, voted in favor of 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, 2022, as audited by SyCip Gorres Velayo & Co."

### **Voting Results:**

	<b>No. of Common Shares</b>	<b>% based on present and/or represented in this meeting</b>
<b>For</b>	1,189,239,866	100%

## VII. AMENDMENT OF BY-LAWS

Mr. Gurango then discussed the next item on the agenda which is the amendment of the Corporation's By-Laws.

Mr. Gurango proceeded to explain that on May 11, 2023, the Board approved the amendment to the By-Laws, which was the 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.

For the voting results, Atty. Gorriceta reported that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented, voted in favor of the following resolution:

“RESOLVED, that the stockholders of Xurpas Inc. (the “Corporation”) approve the following amendments to the By-Laws: Article V, Section 2.”

### Voting Results:

	No. of Common Shares	% based on present and/or represented in this meeting
<b>For</b>	1,189,239,866	100%

## VIII. ELECTION OF DIRECTORS AND INDEPENDENT DIRECTORS

Mr. Gurango then proceeded to discuss the next item on the agenda which is the election of directors and independent directors of the Corporation.

Atty. Gorriceta proceeded to report that the Corporation's Nomination Committee pre-screened and accepted the nominations for the following directors:

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

Atty. Gorriceta explained 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 and independent directors are also provided in the Information Statement which was disclosed through the PSE Edge portal and posted on the Corporation's website. The qualifications of the nominees were also flashed on the screen during the Meeting.

Atty. Gorriceta then reported that in terms of compensation, the directors shall receive a standard per diem of PhP20,000.00 for every meeting attended, which may be adjusted, as decided by the Personal and Compensation Committee. 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 compensation of the directors is reflected in the Corporation's Definitive Information Statement.

Atty. Gorriceta also presented the attendance of the Board members for meetings held during the calendar year 2022.

Based on the tabulation of votes, each of the eight nominees has garnered at least 1,189,239,866 common shares or 100% of the total voting shares present or represented in the Meeting.

Atty. Gorriceta then stated that stockholders holding at least 58% of those present in the Meeting approved the following resolution:

**“RESOLVED**, that 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  
Imelda C. Tiongson (Independent Director)  
Bartolome S. Silayan, Jr. (Independent Director)  
Christopher P. Monterola (Independent Director)  
Jonathan Juan DC Moreno (Independent Director)

**Voting Results:**

	<b>No. of Common Shares</b>	<b>% based on present and/or represented in this meeting</b>
<b>For</b>	1,189,239,866	100%



## IX. APPOINTMENT OF THE EXTERNAL AUDITOR

Mr. Gurango moved on to discuss the next item in the agenda which is the appointment of the Corporation's External Auditor. The Audit Committee has evaluated the performance of the Corporation's current External Auditor, Sycip Gorres Velayo & Co., which has been the Corporation's External Auditor since 2008. Since 2017, the audit partner for the Group is Mr. Dolmar C. Montañez ("Mr. Montañez"). Mr. Montañez is also the recommended partner-in-charge for calendar year 2023.

Based on the recommendations of the Audit Committee, the Board has agreed to endorse the appointment of Sycip Gorres Velayo & Co. as the External Auditor of the Corporation for the current fiscal year for an audit fee of Php3.23 million.

Representatives of Sycip Gorres Velayo & Co. were also present in the Meeting should there be any questions from the stockholders.

Thereafter, Atty. Gorriceta reported that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented, voted in favor of the appointment of Sycip Gorres Velayo & Co. (SGV) as the External Auditor of the Corporation by adopting the following resolution:

"RESOLVED, that the stockholders of Xurpas Inc. approves the appointment of SyCip Gorres Velayo & Co. as the Corporation's External Auditor for the year 2023."

### Voting Results:

	No. of Common Shares	% based on present and/or represented in this meeting
<b>For</b>	1,189,239,866	100%

## X. RATIFICATION OF PREVIOUS ACTS OF THE DIRECTORS AND MANAGEMENT

The next item in the agenda was the ratification of all previous acts of the Directors and Management from August 5, 2022 to May 15, 2023. These are attached in the Information Statement ("Annex G") and disclosed in the PSE Edge Portal and posted on the Corporation's website.

All items approved by the Board during the above period was flashed on the screen during the Meeting for everyone's reference.

For the voting results, Atty. Gorriceta certified that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented ratified all previous acts of the Board and Management from August 5, 2022 to May 15, 2023 by adopting the following resolution:

"RESOLVED, that the stockholders of Xurpas Inc. ratify all actions of the Directors and Management from July 7, 2022 to May 30, 2023."

**Voting Results:**

	No. of Common Shares	% based on present and/or represented in this meeting
<b>For</b>	1,189,239,866	100%

**XI. APPROVAL OF THE LISTING OF ADDITIONAL COMMON SHARES**

Mr. Gurango proceeded to discuss the next item on the agenda which is the approval of the listing of additional common shares of the Corporation.

Mr. Gurango explained that on June 30, 2023, the Board approved the conversion of advances and subsequent issuance of common shares to Mr. Fernando Jude F. Garcia (“**Mr. Garcia**”) and Mr. Nico Jose S. Nollado (“**Mr. Nollado**”). The total amount of advances to be converted into equity is at Php136,520,626.35. The conversion price per share as endorsed by the Audit Committee, approved by the Board, and agreed by the parties is Php0.30.

Mr. Gurango further reported that the number of common shares to be issued to Mr. Garcia and Mr. Nollado are 455,068,753 common shares, or 18.13% of the new total issued and outstanding shares. The shares will only be issued to the subscribers upon the Corporation’s receipt of SEC’s confirmation of valuation. He also stated that the conversion to equity is expected to result in an improvement in the Corporation’s balance sheet.

For the voting results, Atty. Gorriceta certified that at least 1,189,239,866 common shares or 100% of the total voting shares present or represented approved the following resolution:

“**RESOLVED**, that the stockholders of Xurpas Inc. approve the listing of 189,729,880 common shares and 265,338,873 common shares to be issued to Mr. Fernando Jude F. Garcia and Mr. Nico Jose S. Nollado, respectively.”

**Voting Results:**

	No. of Common Shares	% based on present and/or represented in this meeting
<b>For</b>	1,189,239,866	100%

**XII. QUESTION AND ANSWER**

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

- a) What will be the use of proceeds for the conversion of advances to equity that was recently disclosed by the company?

Mr Corpuz responded that there are no proceeds from the conversion transaction. The transaction is simply a conversion of the advances made by Mr. Nollado and Mr. Garcia between 2017 – 2019 to more equity or additional shares in the Corporation. This transaction reclassifies portion of the advances into shareholders' equity in the balance sheet which will strengthen the Corporation's financial position.

**b) What are the new and innovative products and services to be offered by Xurpas?**

Mr. Corpuz answered that echoing the Chairman's message, the new and innovative products and services to be offered by the Corporation are the following; (1) Web 3.0 development services built primarily on blockchain technologies, (2) business-friendly software products and services built on next-generation ERP technologies, and (3) software products and services built on data science and AI.

No other questions were raised by the attendees of the Meeting.

**XIII. ADJOURNMENT**

There being no further business to discuss, the 2023 Annual Stockholders' Meeting was adjourned.

Prepared by:

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

Attested by:

**JONATHAN GERARD A. GURANGO**  
*Chairman of the Meeting*

**XURPAS INC.**  
**MANAGEMENT REPORT**  
For the Special Stockholders’ Meeting  
To be held on February 21, 2024  
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 September 30, 2023.

E

**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.

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

**Business Segments**

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 measures:

- 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. Nollado, 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 through geographical, operational and product expansion.

In 2022, Mr. Nico Jose S. Nollado subscribed to new Xurpas Shares in exchange of Php100,000,000.10. This investment was used by Xurpas to fund its business.

On June 30, 2023, the Board also approved the conversion of the advances to equity made by Mr. Fernando Jude F. Garcia and Mr. Nico Jose S. Nollado to address and improve Xurpas' financial condition, by strengthening its equity position and reducing its interest expense.. The aggregate amount of the advances to be converted into equity is Php136,520,626.34.

### *New Product and Service*

On April 28, 2023, Xurpas Software Inc was incorporated. The wholly-owned subsidiary will focus on commercial software solutions.

In June 2023, Xurpas introduced its artificial intelligence (AI) offerings to the market. These offerings encompass various services such as AI readiness audit and road mapping, ChatGPT integration, and the introduction of Xeed Datavault.

## **Outlook for 2024**

As the digital frontier expands, the tech industry is at the forefront of transformative change. In this exploration of the 2024 outlook for Xurpas, we delve into how cutting-edge technologies such as artificial intelligence, blockchain, and the Internet of Things (IoT) are not just trends but catalysts for revolutionizing industries. From revolutionizing communication networks to enabling unprecedented connectivity, our narrative unfolds the pivotal role Xurpas plays in driving these paradigm shifts.

The Group is maintaining its focus and efforts on IT staff augmentation, custom software development and business solutions, offering its suite of innovative products and services that integrate artificial intelligence 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 Company believes that the increased requirements of both private companies and public entities for digital transformation, 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 was able to incorporate Xurpas Pty Ltd., a subsidiary 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. With this, Xurpas will continue to take this opportunity to maximize its expertise in providing these types of services in the market.
3. **Artificial Intelligence (AI):** Recognizing the transformative power of AI across industries, the company is set to unleash a suite of innovative products and services that harness the potential of machine learning and natural language processing. As businesses increasingly seek to leverage AI for enhanced decision-making, automation, and personalized user experiences, the company’s comprehensive AI offerings are poised to meet and exceed these evolving demands, catalyzing this shift towards integrating artificial intelligence. The Company was able to successfully launch in 2023 Xurpas AI Lab (XAIL) under XEI and is set for a transformative journey where it emerges as a key player in shaping the AI-driven future in the country and eventually across various countries.
4. **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.
5. **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.

*Sources and Availability of Raw Materials and Names of Principal Supplier*

Xurpas does not rely on raw materials for the delivery of its services to its customers. Xurpas also does not have a principal supplier for its business.

### Third Quarter of 2023 compared with Third Quarter of 2022

Key Financial Data In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Enterprise services	105.05	71%	127.72	73%	(22.67)	(18%)
Other services	37.63	25%	32.01	18%	5.62	18%
<b>Total Revenues</b>	<b>148.20</b>	<b>100%</b>	<b>174.49</b>	<b>100%</b>	<b>(26.29)</b>	<b>(15%)</b>
Cost of Services	108.13	73%	119.02	68%	(10.90)	(9%)
<b>Gross Profit</b>	<b>40.07</b>	<b>27%</b>	<b>55.46</b>	<b>32%</b>	<b>(15.40)</b>	<b>(28%)</b>
General and Administrative Expenses	103.17	70%	61.43	35%	41.74	68%
Equity in Net Losses (Earnings) of Associates	11.64	8%	(5.89)	-3%	17.52	(298%)
Other Income, Charges and Finance Costs - net	(41.17)	-28%	6.14	4%	(47.30)	(771%)
<b>Loss Before Income Tax</b>	<b>(33.57)</b>	<b>-23%</b>	<b>(6.21)</b>	<b>-4%</b>	<b>(27.36)</b>	<b>440%</b>
Provision for Income Tax	1.21	1%	5.81	3%	(4.60)	(79%)
<b>Net Loss</b>	<b>(34.78)</b>	<b>-23%</b>	<b>(12.02)</b>	<b>-7%</b>	<b>(22.76)</b>	<b>189%</b>
Other Comprehensive Income (Loss)	7.18	5%	(59.07)	-34%	66.25	(112%)
<b>Total Comprehensive Loss</b>	<b>(27.60)</b>	<b>-19%</b>	<b>(71.09)</b>	<b>-41%</b>	<b>43.49</b>	<b>(61%)</b>

	Sept. 30, 2023 Amount	Dec. 31, 2022 Amount	Amount Change	% Increase
<b>Total Assets</b>	604.10	602.66	1.44	0%
<b>Total Liabilities</b>	662.40	633.36	29.04	5%
<b>Total Equity</b>	(58.29)	(30.70)	(27.60)	90%

The Group's total revenue as of third quarter of 2023 was ₱148.20 million, a 15% decrease from the same period of 2022 mainly caused by the decrease in revenues of ₱22.67 million under enterprise services and ₱9.25 million under mobile consumer services. Majority of the revenues is from enterprise services which generated ₱105.05 million or 71% of total revenue followed by other services and mobile consumer services which generated ₱37.63 million and ₱5.52 million, respectively.

The blended cost of services went down from ₱119.02 million in September 30, 2022 to ₱108.13 million in September 30, 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 beginning 2023.

General and administrative expenses (GAEX) increased by 68%, from ₱61.43 million as of Q3 2022 to ₱103.17 million for the same period in 2023. The increase was primarily brought about by the reclassification from COS to GAEX salaries and wages, as previously mentioned; and additional management, technical, sales, and marketing manpower and sales/marketing initiatives, which are imperative to continuously achieve growth in order to implement expansion as part of the Company's plan. Likewise, the Group recognized impairment loss for its investment in Altitude Games Pte. Ltd. ("Altitude Games") amounting to ₱16.03 as consequence of the sale of assets and business of Altitude Games executed in April 2023.

The Company also shares in the recorded net losses of the associate companies it has invested in, which amounted to ₱11.64 million for the nine-month period ended September 30, 2023 (a 298% decline from equity in net earnings of associates as of third quarter of 2022).

Under "Other Income, Charges, and Finance Costs-net", Finance Costs-net recognized as of third quarter of 2023 is ₱41.17 million, 771% lower than the ₱6.14 million net finance costs recorded in the same period of 2022 which is mainly due to the waiver of interest expense from advances from stockholders (in relation to the conversion of advances to equity). Conversely, the Company was able to record ₱43.15 million of "Other income - net", a notable increase of 9,324% vis-à-vis the ₱0.45 million "Other charges - net" incurred in the same period of 2022 arising from the recovery and collection of the previously impaired convertible notes receivable from Altitude Games.



By the end of the third quarter of 2023, the Company generated a ₱33.57 million pre-tax loss, ₱34.78 million net loss and ₱27.60 million total comprehensive loss after effecting the ₱7.18 other comprehensive income as a result of the changes in foreign exchange rates and crypto prices by the end of the third quarter of 2023.

Consolidated total assets slightly increased from ₱602.66 million for the period ended December 31, 2022, to ₱604.10 million as of September 30, 2023. Consolidated total liabilities also slightly increased by 5% from ₱633.36 million as of December 31, 2022, to ₱662.40 million as of September 30, 2023.

Lastly, consolidated total capital deficiency went up by ₱27.60 million on September 30, 2023, from December 31, 2022, increasing the deficiency to ₱58.29 million or a 90% increase.

A pro-forma balance sheet reflecting the ₱136 million debt-to-equity conversion will reflect an equity at positive ₱78 million.

### **Segment Financial Performance**

<b>For the nine-month period ended September 30, 2023 (in Php Millions)</b>	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Other Services</b>	<b>Intersegment Adjustments</b>	<b>Consolidated</b>
<b>Total Service Revenues</b>	<b>5.52</b>	<b>128.68</b>	<b>37.64</b>	<b>(23.63)</b>	<b>148.20</b>
Operating expenses	40.70	155.31	56.63	(41.34)	211.29
Equity in net losses of associates	-	-	-	11.64	11.64
Finance costs and other charges (income) - net	(47.65)	1.13	0.53	4.83	(41.17)
<b>Total Expenses (Other Income) - net</b>	<b>(6.95)</b>	<b>156.44</b>	<b>57.16</b>	<b>(24.88)</b>	<b>181.77</b>
<b>Operating Income (Loss)</b>	<b>12.46</b>	<b>(27.76)</b>	<b>(19.53)</b>	<b>1.25</b>	<b>(33.57)</b>
Provision for income tax	(0.28)	(0.93)	-	-	(1.21)
<b>Net Income (Loss)</b>	<b>12.18</b>	<b>(28.69)</b>	<b>(19.53)</b>	<b>1.25</b>	<b>(34.78)</b>

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the nine-month period ended September 30, 2023, the enterprise services generated the majority of the total revenues amounting to ₱128.68 million. This is followed by other services which amounted to ₱37.64 million revenues of Storm's subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱5.52 million.

The mobile consumer services segment (under which Xurpas parent company operates) benefitted from the sale of Altitude's assets and business, earning ₱27.69 million net gain from the said transaction. This is recorded in the Xurpas parent company's books.

## **Profitability**

*For the nine-month period ended September 30, 2023, compared with the nine-month period ended September 30, 2022.*

## **Revenues**

The consolidated revenues of the Group for the nine-month period ended September 30, 2023, amounted to ₱148.20 million, a decrease of 15% from ₱174.49 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	<ul style="list-style-type: none"> <li>• Xurpas Enterprise</li> <li>• Xurpas Parent Company</li> <li>• Seer</li> <li>• Xurpas Software</li> </ul>
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	<ul style="list-style-type: none"> <li>• Xurpas Parent Company</li> <li>• Xurpas Software</li> </ul>
Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits –insurance, health checks and wellness.	<ul style="list-style-type: none"> <li>• AllCare</li> </ul>

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
Enterprise services	105.05	71%	127.71	73%	(22.67)	(18%)
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Other services	37.64	25%	32.01	18%	5.63	18%
<i>Total Revenues</i>	<b>148.20</b>	<b>100%</b>	<b>174.49</b>	<b>100%</b>	<b>(26.29)</b>	<b>(15%)</b>

As of third quarter of 2023, enterprise services generated the most revenue at ₱105.05 million or 71% of total revenues. This is 18% (or ₱22.67 million) lower compared to 3Q2022 revenue of ₱127.71 million. On the other hand, revenues generated from other services, which accounts for 25% of company revenues, went up by 18% (or ₱5.63 million), from ₱32.01 million in the first three quarters of 2022 to ₱37.64 million in September 2023. This is due to the ongoing expansion of AllCare. 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 4% of the revenues or ₱5.52 million which decreased from the prior period by 63% (or ₱9.25 million).

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

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Enterprise Services</b>						
IT staff augmentation	41.78	40%	94.41	74%	(52.62)	(56%)
Custom software development	39.10	37%	30.50	24%	8.60	28%
Web 3.0 services	16.65	16%	0.40	0%	16.26	4,102%
Business solutions	4.07	4%	1.46	1%	2.61	179%
Others	3.43	3%	0.95	1%	2.48	261%
<i>Total Enterprise Services</i>	<b>105.05</b>	<b>100%</b>	<b>127.71</b>	<b>100%</b>	<b>(22.66)</b>	<b>(18%)</b>

As previously discussed, there was a 56% (or ₱53.02 million) decline in IT staff augmentation revenues, but was partly offset by the increase in custom software development and business solutions by 28% (or ₱8.60 million) and 179% (or ₱2.61 million) respectively. The Company also successfully started providing Web 3.0 services as

part of its initiatives starting second half of 2022. For the first three quarters of 2023, Web 3.0 services contributed ₱16.65 million in revenues.

## Expenses

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Expenses</b>						
Cost of Services	108.13	51%	119.02	66%	(10.90)	(9%)
General and Administrative Expenses	103.17	49%	61.43	34%	41.74	68%
<i>Total Expenses</i>	<b>211.30</b>	<b>100%</b>	<b>180.45</b>	<b>100%</b>	<b>30.85</b>	<b>17%</b>

The Group's consolidated expenses during the nine-month period ended September 30, 2023, amounted to ₱211.30 million, a 17% (or ₱30.85 million) increase from the same period of the previous year at ₱180.45 million. As of third quarter of 2023, COS accounted for the bulk of expenses, totaling ₱108.13 million or 51% of the Group's consolidated expenses. For the same period in 2022, COS amounted to ₱119.02 million, which comprised 66% of overall expenses.

### Cost of Services

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
<b>Cost of Services</b>						
Salaries, wages and employee benefits	54.25	50%	76.29	65%	(22.04)	(29%)
Outside services	40.47	37%	20.12	17%	20.35	101%
Outsourced services	7.01	6%	13.77	12%	(6.75)	(49%)
Web hosting	2.87	3%	2.14	2%	0.73	34%
Others	3.53	3%	6.71	6%	(3.18)	(47%)
<i>Total Expenses</i>	<b>108.13</b>	<b>100%</b>	<b>119.02</b>	<b>100%</b>	<b>(10.90)</b>	<b>(9%)</b>

The cost of services (COS) as of 3Q2023 amounted to ₱108.13 million, a decrease from the same period of the previous year of ₱119.02 million. 50% of cost of services came from salaries and wages at ₱54.25 million and had a 29% decrease from the prior year of the same period. As mentioned, this is a result of the reclassification from COS to GAEX salaries and wages due to internal reorganization. In contrast, outside services increased by 101% from ₱20.12 million as of 3Q2022 to ₱40.47 million as of 3Q2023, 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 nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>General and Administrative Expenses</b>						
Salaries, wages and employee benefits	61.87	60%	27.50	45%	34.36	125%
Provision for impairment loss	17.82	17%	2.36	4%	15.46	656%
Professional fees	5.03	5%	8.33	14%	(3.30)	(40%)
Marketing and promotions	3.14	3%	4.80	8%	(1.66)	(35%)
Others	15.32	15%	18.43	30%	(3.12)	(17%)
<i>Total Expenses</i>	<b>103.17</b>	<b>100%</b>	<b>61.43</b>	<b>100%</b>	<b>41.74</b>	<b>68%</b>

General and administrative expenses (GAEX) relating to the Group's operations, for the first three quarters of 2023 amounted to ₱103.17 million, higher by 68% compared to previous year's same period level of ₱61.43 million. Salaries and wages accounted for 60% in the first three quarters of 2023 and increased by 125% vis-à-vis same period in 2022 caused by the reclassification from COS to GAEX salaries and wages and additional management manpower. Provision for impairment loss, on the other hand, mainly pertains to impairment of investment in Altitude Games Pte. Ltd. and bad debts expense recognized for the period amounting to ₱16.03 million and ₱1.79 million, respectively. Professional fees, marketing and promotions and other expenses all decreased by 40%, 35% and 17%, respectively.

Examining further the salaries and wages under COS and GAEX, should the periods between the first three quarters in 2022 and 2023 be aligned or made comparable, due to the reclassification brought by the reorganization under entities Xurpas, Xurpas Enterprise, Xurpas Software and Seer, it will result to a 13% increase in total salaries and wages. A decrease of 9% under COS and increase of 54% in GAEX salaries and wages due to

additional management manpower and sales and marketing initiatives which are imperative to implement the Company's growth and expansion plans.

### Salaries and Wages

*Xurpas, Xurpas Enterprise, Xurpas Software & Seer*

	As of 3Q 2022 Reclassified	As of 3Q 2023	Inc/(Dec)	%
COS	59.84	54.25	(5.59)	-9%
GAEX	33.36	51.27	17.91	54%
	93.20	105.52	12.32	13%

### Equity in Net Losses of Associates

The equity of the Group in the net losses of its associate companies for the nine-month period ended September 30, 2023, amounted to ₱11.64 million, 298% lower than the ₱5.89 million net earnings for the comparable period. The associates that generated losses for the period are Altitude SG and MicroBenefits while PT SDI, on the other hand, recorded earnings.

### Finance Costs (Income) – net

The Company recognized ₱1.98 million of net finance costs as of 3Q2023, a 65% decline from the ₱5.69 million net finance costs in 2022. During the period, Messrs. Nollado and Garcia agreed to the waiver of interest expense on the advances of the founders, starting January 1, 2023 resulting to the ₱3.27 million or 55% decrease in interest expense.

### Other Costs (Income) -net

For the nine-month period ended September 30, 2023, the Group posted other income - net of ₱43.15 million, a 9,769% improvement from the ₱0.45 million net other charges posted in the same period in 2022. This resulted mainly from the recovery and collection of convertible notes receivable from Altitude. The Group was able to recognize ₱43.73 million of combined recovery income, interest income and FOREX gain from the said transaction.

### Loss before Income Tax

The Group's loss before taxes for the nine-month period ended September 30, 2023, was ₱33.57 million, a 440% increase from the loss before income tax posted in the first three quarters of 2022 amounting to ₱6.21 million.

### Provision for Income Tax

The Group recognized ₱1.21 million provision for income tax for the nine-month period ended September 30, 2023 vis-à-vis ₱5.81 million provision in September 30, 2022. The decrease primarily resulted from lower income before income tax of Xurpas Enterprise.

### Net Loss

The Group posted a consolidated net loss of ₱34.78 million for the nine-month period ended September 30, 2023, deterioration of 189% from the previous year's same period of ₱12.02 million.

### Other Comprehensive Income

In September 2023, the Group posted a ₱7.19 million other comprehensive income. This figure was a 112% improvement from September 2022 of ₱59.07 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 3<sup>rd</sup> quarter of 2023.

	Foreign exchange rates		Cryptocurrency price	
	USD to ₱	SGD to ₱	BTC	ETH
<b>December 31, 2022</b>	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197
<b>September 30, 2023</b>	USD1.00 to ₱55.36	SGD1.00 to ₱40.83	USD30,473	USD1,933

### **Total Comprehensive Loss**

For the nine-month period ended September 30, 2023, the Group's total comprehensive loss improved by 61% brought by the other comprehensive income generated for the period. This amounts to ₱27.60 million as of end of the third quarter compared to total comprehensive loss of ₱71.09 million for the nine-month period ended September 30, 2022.

## **Financial Position**

*As of September 30, 2023, compared to December 31, 2022.*

### **Assets**

#### *Cash*

The Group's consolidated cash amounted to ₱111.50 million for the nine-month period ended September 30, 2023, a net increase of 76% or ₱48.19 million from consolidated cash of ₱63.31 million as of December 31, 2022 which is attributed to the collection of convertible notes receivable from Altitude amounting to ₱46.36 million

#### *Accounts and Other Receivables*

The Group's consolidated accounts and other receivables amounted to ₱77.32 million and ₱96.67 million as of September 30, 2023, and December 31, 2022, respectively. Change in this account was caused by the decrease in trade receivables with compensating decrease in receivable from related parties caused by the recovery and collection of note receivable from Altitude. Out of the consolidated accounts and other receivables, 89% or ₱68.92 million pertains to trade receivables – net.

#### *Contract Assets*

The Group's consolidated contract assets totaling ₱49.30 million as of December 31, 2022, decreased by ₱23.95 million as of September 30, 2023, to ₱25.35 million which was majorly caused by the decline in the account balance pertaining to Globe Telecom.

#### *Other Current Assets*

As of September 30, 2023, the Group's consolidated other current assets totaled ₱31.67 million, an increase of ₱16.59 million or 110% 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 as a result of the continuing growth in AllCare's business. These prepayments are used to fund 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 September 30, 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 September 30, 2023, the Group's consolidated investment in associates decreased from ₱294.97 million during December 31, 2022, to ₱262.71 million. Movements in this account were caused by (1) Equity in net loss of associates amounting to ₱11.64 million, (2) Gain from cumulative translation adjustment amounting to ₱0.49 million, (3) Dividends received from Altitude Games amounting to ₱4.09 million which corresponds to the Parent Company's share in the sale of Altitude Game's assets and business, and (4) Impairment of investment in Altitude Games amounting to ₱16.03 million.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱219.99 million) and PT SDI (₱20.64 million). Advances to PT SDI remain unchanged from its December 31, 2022 balance of ₱22.08 million.



### *Property and Equipment*

The Group's consolidated property and equipment was ₱4.32 million on September 30, 2023, vis-à-vis ₱5.61 million as of December 31, 2022. The Group acquired property and equipment amounting to ₱1.75 million during the nine-month period ended September 30, 2023. Depreciation expense amounted to ₱1.54 million for the nine-month period ended September 30, 2023.

### *Right-of-use (ROU) Asset*

Right-of-use asset as of September 30, 2023 and December 31, 2022 amounted to ₱1.46 million and ₱0.17 million, respectively. In the first half 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 ₱0.77 million for the first half of 2023.

### *Intangible Assets*

As of September 30, 2023, intangible assets amounted to ₱74.71 million which increased 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 September 30, 2023, goodwill is 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 September 30, 2023, net book value of developed software was ₱0.91 million. Additions and amortization of developed software for the nine-month period ended September 30, 2023, amounted to ₱0.15 million and ₱0.30 million, respectively.
- Cryptocurrencies pertain to units of Bitcoin, Ethereum and USDC held by the Group as of September 30, 2023, valued at ₱25.57 million. Additions during the period amounted to ₱7.64 million while cryptocurrencies with carrying value of ₱2.65 million were disposed of. Net revaluation surplus recognized amounted to ₱7.03 million.

### *Other Noncurrent Assets*

Other noncurrent assets amounted to ₱13.86 million as of September 30, 2023. This figure is 2% 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 ₱393.65 million as of September 30, 2023. It increased by ₱6.98 million from the December 31, 2022 figure of ₱386.68 million mainly due to the increase in trade payables, deferred output VAT and payable to related parties.

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 ₱153.14 million and ₱152.35 million as of September 30, 2023 and December 31, 2022, respectively. The increase was brought about by foreign exchange revaluation of one of the loan agreements with a founder which is denominated in US Dollar.

On June 30, 2023, the memorandum of agreement between founders, Mr. Nico Jose Nollado and Mr. Fernando Jude Garcia, and Xurpas in relation to the conversion of the ₱136.52 million advances from stockholders to equity

was signed. This aims to improve and strengthen Xurpas' balance sheet, and reflects the founders' confidence in the Corporation's ability to further expand its business.

On October 10, 2023, SEC issued the Certificate of Approval of Valuation as to the above conversion. The Company subsequently issued 455,068,753 common shares from the unissued portion of its authorized capital to the Assignors and accordingly recorded the ₱136.52 million advances from stockholders to additional equity.

#### *Loans Payable*

The Group recorded ₱37.24 million in current loans on September 30, 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 primarily due to the reclassification from noncurrent liability of Storm loans payable that will fall due in the first half of 2024.

#### *Contract Liabilities*

The Group's consolidated contract liabilities as of September 30, 2023, amounted to ₱54.71 million, an increase of 59% 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 ₱1.51 million. In January 2023, 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 ₱0.07 million and ₱1.08 million, respectively.

Current portion of the lease liability as of September 30, 2023 amounted to ₱1.02 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 September 30, 2023, outstanding balance of the loan amounted to ₱11.57 million of which ₱0.84 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 September 30, 2023 amounted to ₱0.49 million.

#### *Pension Liability*

The accrued pension of the Group was at ₱21.31 million as of September 30, 2023, which was unchanged from its levels on December 31, 2022.

## Capital Deficiency

### *Total Capital Deficiency*

The Group recorded total capital deficiency of ₱58.29 million as of September 30, 2023, a 90% increase from December 31, 2022 with a figure of ₱30.70 million. The increase is due to the total comprehensive loss recognized for the period.

A pro-forma balance sheet reflecting the ₱136.52 million debt-to-equity conversion will reflect an equity of positive ₱78.23 million.

Equity, ending as of 3Q2023	(58.29)
Conversion of Stockholders' advances	136.52
Equity, ending (adjusted)	<u><b>78.23</b></u>

## 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

In PhP Millions	For the nine-month periods ended September 30	
	2023	2022
	Amount	Amount
Net cash provided by (used in) Operating Activities	15.60	(49.01)
Net cash provided by (used in) Investing Activities	32.28	(4.64)
Net cash provided by (used in) Financing Activities	(1.38)	98.80
Effect of foreign currency exchange changes in cash	1.69	(1.85)
Net increase in cash	48.19	43.30
Cash at beginning of period	63.31	35.95
Cash at end of period	111.50	79.25

### Cash Flows from Operating Activities

For the first nine months of 2023, operating income before changes in working capital of ₱11.97 million was coupled with the corresponding increase changes in operating assets and liabilities resulted in ₱9.12 million net cash provided by operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash provided by operating activities of ₱15.60 million, compared to net usage of ₱49.01 million, the previous period.

### Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first nine months of 2023 was ₱32.28 million compared to ₱4.64 million used in the same period of 2022. The primary sources of cash flows from investing activities were collections from Altitude Games for the recovery of convertible notes receivable and dividends, and proceeds from sale of properties and cryptocurrencies.

### Cash Flows from Financing Activities

The cash flow used in financing activities as of third quarter of 2023 was ₱1.38 million which decreased from net cash provided of ₱98.80 million in the same period in 2022. The cash flow provided in financing activities as of 3Q2022 were mainly from the proceeds of the equity infusion. For the first three quarters of 2023, this is only composed of payments to loans payable amounting to ₱0.31 million and payment of the principal portion of lease liabilities amounting to ₱1.08 million.

### Capital Expenditure

The Group's capital expenditures for the nine-month period ended September 30, 2023, and the year ended December 31, 2022, amounted to ₱3.97 million and ₱5.34 million, respectively.

Key Financial Data In PhP Millions	September 30, 2023 Additions	December 31, 2022 Additions
Right-of-use Assets	2.07	-
Developed software	0.15	1.10
IT Equipment	1.75	4.07
Leasehold Improvements	-	-
Office Equipment	-	0.17
	3.97	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:

<b>In Percentage</b>	<b>As of and for the nine-month periods ended September 30</b>		<b>As of and for the year ended December 31, 2022</b>
	<b>2023</b>	<b>2022</b>	
<b>Liquidity Ratios</b>			
Current Ratio	<b>38%</b>	40%	37%
Quick Ratio	<b>33%</b>	37%	34%
<b>Asset-to-Equity Ratio</b>	<b>667%</b>	468%	568%
<b>Profitability Ratios</b>			
Net Loss Margin	<b>(15%)</b>	(3%)	(23%)
Gross Margin	<b>27%</b>	32%	25%
Operating Margin	<b>(19%)</b>	4%	(23%)
Return on Total Assets	<b>(4%)</b>	(1%)	(9%)
Return on Equity	<b>(23%)</b>	(4%)	(49%)
<b>Debt Ratios</b>			
Debt-to-Equity Ratio	<b>7.31x</b>	4.53x	5.97x
Interest Coverage Ratio	<b>-11.23x</b>	-0.04x	(6.42x)

### **Liquidity Ratios**

Current ratio as of September 30, 2023 and December 31, 2022 was 38% and 37%, respectively and was primarily due to the increase in cash. Meanwhile, quick ratio was at 33% and 34% as of September 30, 2023 and December 31, 2022, respectively.

### **Asset-to-Equity Ratio**

There was an increase in the asset-to-equity ratio from 568% as of December 31, 2022, to 667% on September 30, 2023 due to the increase in deficit attributable to equity holders of the Parent Company.

### **Profitability Ratios**

Net loss margin, operating margin, return on total assets and return on equity are at -15%, -19%, -4% and -23% respectively. Gross margin is at 27% which is a slight decrease from the same period of last year's gross margin. The overall decrease in the profitability ratios was caused by the combined effect of decline in revenues and increase in operating expenses.

### **Debt Ratio**

Debt-to-equity on September 30, 2023, increased to 7.31x from 5.97x as of December 31, 2022. The decrease in the gearing ratio was attributed to the increase in liabilities and deficit attributable to equity holders of the Parent Company compared with the same period of last year. Interest coverage ratio as of September 30, 2023, was at -11.23x compared to -0.04x on September 30, 2022.

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

**Current Ratios**

$$1. \text{ Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$2. \text{ Quick ratio} = \frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$$

**Asset-to-equity Ratio**

$$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$$

**Profitability Ratios**

$$1. \text{ Net income ratio} = \frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$$

$$2. \text{ Gross margin} = \frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$$

$$3. \text{ Operating margin} = \frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$$

$$4. \text{ Return on total assets} = \frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$$

$$5. \text{ Return on total equity} = \frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$$

**Debt Ratios**

$$1. \text{ Debt-to-equity ratio} = \frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$$

$$\text{Interest coverage ratio} = \frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds from operations or sale of assets, obtain additional advances from its stockholders as necessary, 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 has received the proceeds from the sale and discharge of corresponding liabilities. The incorporation of Xurpas Software Inc and Xurpas Pty Ltd (Xurpas Australia) took place on April and July 2023 respectively. The Certificate of Approval of Valuation from SEC has already been received by the Company on October 2023 which will consequently allow the recognition of the debt-to-equity conversion of the advances to stockholders to additional equity amounting to ₱136.52 million which aims to improve the balance sheet of the Company. Aside from these, 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 2022 compared with 2021**

Key Financial Data In PhP Millions	For the years ended December 31					
	2022		2021		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
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%)
<b>Total Revenues</b>	<b>227.32</b>	<b>100%</b>	<b>210.03</b>	<b>100%</b>	<b>17.29</b>	<b>8%</b>
Cost of Services	169.79	75%	158.88	76%	10.92	7%
Cost of Goods Sold	-	0%	13.93	7%	(13.93)	(100%)
<b>Gross Profit</b>	<b>57.53</b>	<b>25%</b>	<b>37.22</b>	<b>18%</b>	<b>20.30</b>	<b>55%</b>
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%
<b>Loss Before Income Tax</b>	<b>(71.66)</b>	<b>(32%)</b>	<b>(29.12)</b>	<b>(14%)</b>	<b>42.54</b>	<b>146%</b>
Provision for (Benefit from) Income Tax	4.24	2%	(2.96)	(1%)	7.20	243%
<b>Net Loss</b>	<b>(75.90)</b>	<b>(33%)</b>	<b>(26.16)</b>	<b>(12%)</b>	<b>49.74</b>	<b>190%</b>
Other Comprehensive Income (Loss)	(46.89)	(21%)	13.60	6%	(60.49)	(445%)
<b>Total Comprehensive Loss</b>	<b>(122.79)</b>	<b>(54%)</b>	<b>(12.56)</b>	<b>(6%)</b>	<b>110.23</b>	<b>878%</b>

	Dec. 31, 2022 Amount	Dec. 31, 2021 Amount	Amount Change	% Increase (Decrease)
<b>Total Assets</b>	602.66	605.94	(3.28)	(1%)
<b>Total Liabilities</b>	633.36	613.85	19.51	3%
<b>Total Capital Deficiency</b>	(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%
<b>Loss before tax excluding non-recurring expenses</b>	<b>(18.49)</b>	<b>(23.64)</b>	<b>5.15</b>	<b>-22%</b>

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.

#### *Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales*

Revenues from foreign operations for the year ended December 31, 2022 amounted to ₱20.65 million or 9% of the consolidated revenues which resulted to gross profit of ₱11.09 million.

#### **Segment Financial Performance**

For the year ended December 31, 2022	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
<b>Total Service Revenues</b>	<b>17.42</b>	<b>219.75</b>	<b>43.83</b>	<b>(53.68)</b>	<b>227.32</b>
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)
<b>Total Expenses (Other Income) - net</b>	<b>(15.40)</b>	<b>325.37</b>	<b>86.67</b>	<b>(97.67)</b>	<b>298.98</b>
<b>Operating Income (Loss)</b>	<b>32.82</b>	<b>(105.62)</b>	<b>(42.85)</b>	<b>43.99</b>	<b>(71.66)</b>
Benefit from (Provision for) Income Tax	(0.14)	(4.11)	0.01	-	(4.24)
<b>Net Income (Loss)</b>	<b>32.68</b>	<b>(109.73)</b>	<b>(42.84)</b>	<b>43.99</b>	<b>(75.90)</b>

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.

<b>Segment</b>	<b>Description</b>	<b>Subsidiaries</b>
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	<ul style="list-style-type: none"> <li>• Xurpas Enterprise</li> <li>• Xurpas Parent Company</li> <li>• Seer</li> </ul>
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing.	<ul style="list-style-type: none"> <li>• Xurpas Parent Company</li> </ul>
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.	<ul style="list-style-type: none"> <li>• AllCare</li> </ul>

<b>In PhP Millions</b>	<b>For the years ended December 31</b>					
	<b>2022</b>		<b>2021</b>		<b>Amount Change</b>	<b>% Increase (Decrease)</b>
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>		
<b>Revenues</b>						
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%)
<b>Total Revenues</b>	<b>227.32</b>	<b>100%</b>	<b>210.03</b>	<b>100%</b>	<b>17.29</b>	<b>8%</b>

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:

<b>In PhP Millions</b>	<b>For the years ended December 31</b>					
	<b>2022</b>		<b>2021</b>		<b>Amount Change</b>	<b>% Increase (Decrease)</b>
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>		
<b>Enterprise Services</b>						
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%
<b>Total Enterprise Services</b>	<b>167.81</b>	<b>100%</b>	<b>117.57</b>	<b>100%</b>	<b>50.25</b>	<b>43%</b>

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		
<b>Expenses</b>						
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%
<i>Total Expenses</i>	<b>320.69</b>	<b>100%</b>	<b>258.05</b>	<b>100%</b>	<b>62.64</b>	<b>24%</b>

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	%		
<b>Cost of Services</b>						
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%)
<i>Total Expenses</i>	<b>169.79</b>	<b>100%</b>	<b>158.88</b>	<b>100%</b>	<b>10.92</b>	<b>7%</b>

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 Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>General and Administrative Expenses</b>						
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%)
<i>Total Expenses</i>	<b>150.90</b>	<b>100%</b>	<b>85.25</b>	<b>100%</b>	<b>65.65</b>	<b>77%</b>

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. PT SDI 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.

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

### **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.

	<b>Foreign exchange rates</b>		<b>Cryptocurrency price</b>	
	<b>USD to PhP</b>	<b>SGD to PhP</b>	<b>BTC</b>	<b>ETH</b>
<b>December 31, 2021</b>	USD1.00 to ₱50.77	SGD1.00 to ₱37.55	USD46,220	USD3,683
<b>December 31, 2022</b>	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 PT SDI (₱20.10 million). Further, advances to PT 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, 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*

In PhP Millions	For the years ended December 31	
	2022	2021
	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	<b>63.31</b>	<b>35.95</b>

### *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.

<b>Key Financial Data In PhP Millions</b>	<b>December 31, 2022 Additions</b>	<b>December 31, 2021 Additions</b>
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
	<b>5.34</b>	<b>5.20</b>

### **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:

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

<b>Current Ratios</b>	
1. Current ratio	Current assets
	Current liabilities
2. Quick ratio	Current assets – Other current assets
	Current liabilities
<b>Asset-to-equity Ratio</b>	Total assets
	Total equity attributable to Parent Company
<b>Profitability Ratios</b>	
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		2020		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
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%
<b>Total Revenues</b>	<b>210.03</b>	<b>100%</b>	<b>174.01</b>	<b>100%</b>	<b>36.01</b>	<b>21%</b>
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%
<b>Gross Profit (Loss)</b>	<b>37.23</b>	<b>18%</b>	<b>8.81</b>	<b>5%</b>	<b>28.41</b>	<b>323%</b>
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%
<b>Loss Before Income Tax</b>	<b>(29.12)</b>	<b>-14%</b>	<b>(73.54)</b>	<b>-42%</b>	<b>44.42</b>	<b>-60%</b>
Provision for (Benefit from) Income Tax	(2.96)	-1%	(4.72)	-3%	1.76	-37%
<b>Net Loss</b>	<b>(26.16)</b>	<b>-12%</b>	<b>(68.82)</b>	<b>-40%</b>	<b>42.66</b>	<b>-62%</b>
Other Comprehensive Income (Loss)	13.60	6%	36.03	21%	(22.43)	-62%
<b>Total Comprehensive Loss</b>	<b>(12.56)</b>	<b>-6%</b>	<b>(32.79)</b>	<b>-19%</b>	<b>20.23</b>	<b>-62%</b>
	<b>Dec. 31, 2021</b>		<b>Dec. 31, 2020</b>		<b>Amount</b>	<b>%</b>
	<b>Amount</b>		<b>Amount</b>		<b>Change</b>	<b>Increase</b>
<b>Total Assets</b>	605.94		617.06		(11.12)	-2%
<b>Total Liabilities</b>	613.85		612.41		1.44	1%
<b>Total Equity</b>	(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.

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.

#### *Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales*

Revenues from foreign operations for the year ended December 31, 2021 amounted to ₱7.33 million or 3% of the consolidated revenues which resulted to gross profit of ₱4.97 million.

#### **Segment Financial Performance**

<b>For the year ended December 31, 2021 In PhP Millions</b>	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Other Services</b>	<b>Intersegment Adjustments</b>	<b>Consolidated</b>
Revenue from services	40.55	153.62	27.27	(36.05)	185.39
Revenue from sale of goods	-	-	24.64	-	24.64
<b>Total Service Revenues</b>	<b>40.55</b>	<b>153.62</b>	<b>51.91</b>	<b>(36.05)</b>	<b>210.03</b>
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)
<b>Total Expenses</b>	<b>29.78</b>	<b>183.99</b>	<b>72.72</b>	<b>(47.34)</b>	<b>239.15</b>
<b>Operating Income (Loss)</b>	<b>10.77</b>	<b>(30.37)</b>	<b>(20.81)</b>	<b>11.29</b>	<b>(29.12)</b>
Benefit from (provision for) income tax	0.24	2.76	(0.04)	-	2.96
<b>Net Income (Loss)</b>	<b>11.01</b>	<b>(27.61)</b>	<b>(20.85)</b>	<b>11.29</b>	<b>(26.16)</b>

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.	<ul style="list-style-type: none"> <li>● Xurpas Parent Company</li> </ul>
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	<ul style="list-style-type: none"> <li>● Seer</li> <li>● Xurpas Enterprise</li> <li>● Xurpas Parent Company</li> </ul>
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.	<ul style="list-style-type: none"> <li>● Storm Technologies</li> <li>● AllCare</li> </ul>

In PhP Millions	For the year ended December 31					
	2021		2020		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
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%
<i>Total Revenues</i>	<b>210.03</b>	<b>100%</b>	<b>174.01</b>	<b>100%</b>	<b>36.02</b>	<b>21%</b>

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		
<b>Expenses</b>						
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%
<i>Total Expenses</i>	<b>258.05</b>	<b>100%</b>	<b>285.05</b>	<b>100%</b>	<b>(27.00)</b>	<b>-9%</b>

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	%		
<b>Cost of Services</b>						
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%
<i>Total Expenses</i>	<b>158.88</b>	<b>100%</b>	<b>127.19</b>	<b>100%</b>	<b>31.69</b>	<b>25%</b>

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		
<b>General and Administrative Expenses</b>						
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%
<i>Total Expenses</i>	<b>85.25</b>	<b>100%</b>	<b>119.85</b>	<b>100%</b>	<b>(34.60)</b>	<b>-29%</b>

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 PT 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 (1) 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*

<b>In PhP Millions</b>	<b>For the year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
	<b>Amount</b>	<b>Amount</b>
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	<b>35.95</b>	<b>67.74</b>

#### *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.

<b>Key Financial Data In PhP Millions</b>	<b>December 31, 2021 Additions</b>	<b>December 31, 2020 Additions</b>
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
	<b>5.20</b>	<b>1.33</b>

## **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:

<b>In Percentage</b>	<b>For the years ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Liquidity Ratios</b>			
Current Ratio	26%	31%	41%
Quick Ratio	23%	27%	33%
<b>Asset-to-Equity Ratio</b>	575%	613%	575%
<b>Profitability Ratios</b>			
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%
<b>Debt Ratios</b>			
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	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

**Asset-to-equity Ratio**

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
--

**Profitability Ratios**

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

**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.

## Full year 2020 compared with 2019

### Summary

Php Millions	Years ended December 31							Percentage Change					
	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%
<b>Revenues</b>													
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		2019		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
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%
<b>Total Revenues</b>	<b>174.01</b>	<b>100%</b>	<b>971.96</b>	<b>100%</b>	<b>(797.95)</b>	<b>-82%</b>
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%
<b>Gross Profit</b>	<b>8.81</b>	<b>5%</b>	<b>146.49</b>	<b>15%</b>	<b>(137.68)</b>	<b>-94%</b>
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%
<b>Loss Before Income Tax</b>	<b>(73.54)</b>	<b>-42%</b>	<b>(2,609.21)</b>	<b>-268%</b>	<b>2,535.67</b>	<b>-97%</b>
Provision for (Benefit from) Income Tax	(4.72)	-3%	26.15	3%	(30.87)	-118%
<b>Net Loss</b>	<b>(68.82)</b>	<b>-40%</b>	<b>(2,635.36)</b>	<b>-271%</b>	<b>2,566.54</b>	<b>-97%</b>
Other Comprehensive Income	36.03	21%	8.39	1%	27.64	329%
<b>Total Comprehensive Loss</b>	<b>(32.79)</b>	<b>-19%</b>	<b>(2,626.97)</b>	<b>-270%</b>	<b>2,594.18</b>	<b>-99%</b>

	31-Dec-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
<b>Total Assets</b>	617.06	713.94	(96.88)	-14%
<b>Total Liabilities</b>	612.41	688.05	(75.64)	-11%
<b>Total Equity</b>	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.

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.

#### *Percentage of Sales or Revenues and Net Income Contributed by Foreign Sales*

Revenues from foreign operations for the year ended December 31, 2020 amounted to ₱1.75 million or 1% of the consolidated revenues. These foreign operations contributed 32% of the consolidated net loss or ₱22.22 million which is mainly attributable to AOC.

### **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
<b>Total Service Revenues</b>	<b>22.00</b>	<b>249.55</b>	<b>63.77</b>	<b>(161.32)</b>	<b>174.01</b>
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)
<b>Total Expenses</b>	<b>13.34</b>	<b>292.41</b>	<b>82.13</b>	<b>(140.33)</b>	<b>247.55</b>
<b>Operating Income (Loss)</b>	<b>8.66</b>	<b>(42.86)</b>	<b>(18.35)</b>	<b>(20.98)</b>	<b>(73.54)</b>
Benefit from (provision for) income tax	0.21	(2.05)	(0.38)	6.95	4.72
<b>Net Income (Loss)</b>	<b>8.86</b>	<b>(44.91)</b>	<b>(18.74)</b>	<b>(14.03)</b>	<b>(68.82)</b>

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.	<ul style="list-style-type: none"> <li>• Xurpas Parent Company</li> </ul>
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	<ul style="list-style-type: none"> <li>• Seer</li> <li>• Xurpas Enterprise</li> <li>• Xurpas Parent Company</li> </ul>
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.	<ul style="list-style-type: none"> <li>• Storm Technologies</li> <li>• AllCare</li> </ul>

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					Amount Change	% Increase (Decrease)
	2020		2019				
	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		
<b>General and Administrative Expenses</b>						
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%
<i>Total Expenses</i>	<b>119.85</b>	<b>100%</b>	<b>2,204.42</b>	<b>100%</b>	<b>(2,084.57)</b>	<b>-95%</b>

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 PT 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 be 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 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*

<b>In PhP Millions</b>	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Amount</b>	<b>Amount</b>
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	<b>67.74</b>	<b>153.93</b>

### *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**

<b>Key Financial Data In PhP Millions</b>	<b>December 31, 2020 Additions</b>	<b>December 31, 2019 Additions</b>
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
	<b>1.24</b>	<b>14.78</b>

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:

<b>In Percentage</b>	<b>For the years ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Liquidity Ratios</b>			
Current Ratio	<b>31%</b>	41%	69%
Quick Ratio	<b>27%</b>	33%	64%
<b>Asset-to-Equity Ratio</b>	<b>613%</b>	575%	183%
<b>Profitability Ratios</b>			
Net Loss Margin	<b>-34%</b>	-271%	-62%
Gross Margin	<b>5%</b>	15%	9%
Operating Margin	<b>-19%</b>	-256%	-46%
Return on Total Assets	<b>-9%</b>	-93%	-14%
Return on Equity	<b>-53%</b>	-186%	-22%
<b>Debt Ratios</b>			
Debt-to-Equity Ratio	<b>6.09x</b>	5.55x	0.550x
Interest Coverage Ratio	<b>-5.92x</b>	-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 | $\frac{\text{Current assets}}{\text{Current liabilities}}$                               |
| 2. Quick ratio   | $\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$ |



	<hr/> Current liabilities
<b>Asset-to-equity Ratio</b>	<hr/> Total assets
	<hr/> Total equity attributable to Parent Company
<b>Profitability Ratios</b>	
1. Net income ratio	<hr/> Net income attributable to Parent Company
2. Gross margin	<hr/> Service income + Sale of goods (Service income + Sale of goods) – (Cost of services + Cost of goods sold) <hr/> Service income + Sale of goods
3. Operating margin	<hr/> Earnings before interest, tax, depreciation and amortization <hr/> Service income + Sale of goods
4. Return on total assets	<hr/> Net income attributable to Parent Company <hr/> Average total assets
5. Return on total equity	<hr/> Net income attributable to Parent Company <hr/> 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:

	<b>Percentage of Ownership</b>
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% <sup>1</sup>
PT Sembilan Digital Investama	49.00%
MatchMe Pte. Ltd.	29.10%
Micro Benefits limited	23.53%
Altitude Games Pte. Ltd	100.00% <sup>2</sup>
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:

##### *Enterprise Services*

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 and various enterprise solutions-based services to its customers, which includes both SMEs, as well as Telcos and other large enterprise clients.

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.

On October 29, 2023, Xurpas AI Lab (XAIL) was formally launched, a business unit under enterprise services specializing in software products and services that utilize artificial intelligence (AI) and data science and will be offering services relating to AI-readiness such as data management and data warehousing.

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<sup>1</sup> On March 30, 2020, Xurpas suspended the business operations of Art of Click.

<sup>2</sup> On October 17, 2023, the stockholders of Altitude Games Pte. Ltd. transferred the remaining 78.83% ownership to Xurpas.

### *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 September 30, 2023, 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, Medicares, 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 of 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.

### *Platforms*

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").

### *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.

### *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

For its staff augmentation services, Xurpas Enterprise Inc. has obtained registration as a contractor and subcontractor with the Department of Labor and Employment ("DOLE") pursuant to its Department Order No. 174, series of 2017 (DO 174).

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

### *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 software 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 software 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, 2022 for a the rollforward of developed software 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
<b>Total</b>	<b>77</b>

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. Fifty-sixty percent (56%) of the Company's revenues from enterprise services can be attributed to 5 of its major clients during the nine-month period ended September 30, 2023. As part of its growth strategy, the Company has been looking for new opportunities that would allow it to further diversify its business. 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 July 2023, the Company incorporated Xurpas Pty. Ltd., an Australian-based subsidiary that will help expand the Group's 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. Nollado, Fernando Jude F. Garcia and Raymond Gerard S. Racaza, wherein they own approximately 68.13% 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 two (2) 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 four (4) 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.

## 1. Directors' and Officers' Background

### *Board of Directors, Independent Directors and Executive Officers*

The following are the current directors and officers of the Corporation:

<b>Directors / Officers</b>	<b>Nationality</b>	<b>Position</b>	<b>Year Position was Assumed</b>
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
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
Jonathan Juan DC Moreno	Filipino	Independent Director	2023
Mark S. Gorriceta	Filipino	Corporate Secretary and Chief Legal Officer	2014
Jose Vicente T. Colayco	Filipino	Chief Operating Officer	2022
Angela Sigrid J. Along	Filipino	Chief Compliance Officer and Chief Risk Officer	2022

### *Background Information*

**Jonathan Gerard A. Gurango**, 66, 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, 50, 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, 75, 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. Tionsgon**, 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. Tionsgon 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. Tionsgon 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.**, 57, 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**, 47, 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 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**, 46, 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*

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 threatened 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. Nollado wherein the Corporation will issue new Xurpas Shares at a purchase price of 100.00 million.

June 30, 2023, the Board of Directors of Xurpas approved the conversion of the advances to equity made by Mr. Fernando Jude F. Garcia and Mr. Nico Jose S. Nollado (the "Assignors"). The aggregate amount of the advances to be converted into equity is Php136,520,626.34. The Company and the Assignors signed the MOA on June 30, 2023. On July 28, 2023, the Board of Directors of Xurpas approved the conversion price of Php0.30 per share. The foregoing conversion price is supported by a Fairness Opinion issued by Isla Lipana & Co. ("PWC"). The Company and the Assignors signed the Deed of Assignment of Advances on July 28, 2023. On October 10, 2023, the Company received the Certificate of Approval of Valuation from the SEC. On November 13, 2023, the Company recorded the issuance of 455,068,753 common shares from the unissued portion to the Assignors on its corporate books; however, the Subscription Shares have not been listed with the Philippine Stock Exchange as of date.

### *Ownership Structure and Parent Corporation*

The Corporation has three (3) Principal Shareholders.

Mr. Nico Jose S. Nollado collectively owns 30.66% of the Corporation's issued and outstanding shares as of date. He does not hold any position in the Company, but he will remain as adviser to the Board of Directors.

Mr. Fernando Jude F. Garcia owns 22.50% of the Corporation's issued and outstanding shares. He is the Corporation's Treasurer and Chief Technology Officer.

Mr. Raymond Gerard S. Racaza owns 14.97% 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 directors*

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. Nollado 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.

## **2. 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 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2023.

	<b>High</b>	<b>Low</b>
<b>2023</b>		
3 <sup>rd</sup> Quarter	0.345	0.227

2 <sup>nd</sup> Quarter	0.30	0.244
1 <sup>st</sup> Quarter	0.36	0.25
<b>2022</b>		
4 <sup>th</sup> Quarter	0.28	0.246
3 <sup>rd</sup> Quarter	0.35	0.25
2 <sup>nd</sup> Quarter	0.37	0.27
1 <sup>st</sup> Quarter	0.57	0.30
<b>2020</b>		
3 <sup>rd</sup> Quarter	0.55	0.50
2 <sup>nd</sup> Quarter	1.37	0.40
1 <sup>st</sup> Quarter	0.95	0.40
<b>2019</b>		
4 <sup>th</sup> Quarter	1.16	0.75
3 <sup>rd</sup> Quarter	1.22	0.87
2 <sup>nd</sup> Quarter	1.37	0.91
1 <sup>st</sup> Quarter	2.33	1.09
<b>2018</b>		
4 <sup>th</sup> Quarter	2.39	1.04
3 <sup>rd</sup> Quarter	3.72	2.02
2 <sup>nd</sup> Quarter	3.92	2.80
1 <sup>st</sup> Quarter	5.93	3.10
<b>2017</b>		
4 <sup>th</sup> Quarter	5.94	3.10
3 <sup>rd</sup> Quarter	9.07	5.20
2 <sup>nd</sup> Quarter	10.84	7.40
1 <sup>st</sup> 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, December 21, 2023 is at 0.184/share

#### B. Holders

There are 34 registered holders of common shares, as of November 30, 2023:

	<b>Stockholder's Name</b>	<b>Number of shares</b>	<b>Percentage to total</b>	<b>Nationality</b>
1.	PCD Nominee Corp. (Filipino)	541,770,320	21.59%	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	207,938,533	8.29%	Others
3.	Nico Jose S. Nollado	730,213,914	29.10%	Filipino
4.	Raymond Gerard S. Racaza	375,765,960	14.97%	Filipino
5.	Fernando Jude F. Garcia	564,803,840	22.50%	
6.	Jonathan Gerard A. Gurango	412,499	0.02%	Filipino
7.	Mercedita S. Nollado	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.	Jonathan Juan DC Moreno	10,000	0	Filipino
13.	Eden International Holdings Inc.	39,169,763	1.56%	Non-Filipino
14.	Christopher P. Monterola	1,000,000	0.04%	Filipino
15.	Wavemaker Labs Pte. Ltd.	47,099,950	1.88%	Non-Filipino
16.	Rafael Jay P. Ramores	423,000	0.02%	Filipino
17.	Nelson Gatmaitan	400,000	0.02%	Filipino
18.	Roseller Artacho Mendoza	300,000	0.01%	Filipino
19.	Emilie Grace S. Nollado	251,889	0.01%	Filipino
20.	Philina Roselle G. Mendoza	100,000	0	Filipino
21.	Aquilina V. Redo	6,500	0	Filipino
22.	Rogina C. Guda	6,000	0	Filipino
23.	Dahlia C. Aspillera	2,900	0	Filipino
24.	Roberto B. Redo	1,000	0	Filipino
25.	Shareholders' Association of the Philippines	1,000	0	Filipino
26.	Dondi Ron R. Limgenco	111	0	Filipino
27.	Marietta V. Cabreza	100	0	Filipino
28.	Milagros P. Villanueva	100	0	Filipino
29.	Myra P. Villanueva	100	0	Filipino
30.	Myrna P. Villanueva	100	0	Filipino
31.	Philip &/or Elnora Turner	99	0	British-Indian
32.	Alvin D. Lao	10	0	Filipino
33.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
34.	Joselito T. Bautista	1	0	Filipino
	<b>Total</b>	<b>2,509,683,812</b>	<b>100%</b>	<b>Filipino</b>

### 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
<b>Cash dividend declared on:</b>				
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
<b>Stock dividend declared on:</b>				
July 10, 2014	0.95 shares	61.25 million	September 20,	September 20,



			2014	2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

The Corporation has not declared any cash dividends for fiscal years ended December 31, 2021 and December 31, 2022.

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.

#### *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. Nollado, 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. Nollado (“Mr. Nollado”) executed a Subscription Agreement wherein Mr. Nollado 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. Nollado received a total of 181,818,182 common shares (the "Subscription Shares"). The total subscription price is at 100,000,000.10. Mr. Nollado paid the Subscription Price in full on February 15, 2022. Accordingly, the Subscription Shares were issued to Mr. Nollado 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 Buckley 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
<b>Total</b>	<b>1,707,001,019</b>		<b>170,700,101.9</b>

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.

**e) Conversion of Advances to Equity**

On June 30, 2023, the Board of Directors of Xurpas approved the conversion of the following advances to equity for the two founders, namely, Mr. Fernando Jude F. Garcia and Mr. Nico Jose S. Nollado:

<b>Name of Assignor</b>	<b>Advances (in PHP)</b>
Fernando Jude F. Garcia	PHP56,918,964.22
Nico Jose S. Nollado	79,601,662.12
<b>Total</b>	<b>PHP136,520,626.35</b>

The parties shall mutually agree on the conversion price, and accordingly, the number of Xurpas shares to be issued to the founders, within thirty (30) days from the said approval, subject to the following conditions:

- **above market price.** For the avoidance of doubt, market price shall mean the weighted average of the closing prices for a period of thirty (30) trading days prior to effective date; and
- supported by a fairness Opinion issued by an independent firm in relation to the transaction.

No special rights will be attached to the foregoing common shares.

On July 28, 2023, the Board of Directors of Xurpas approved the conversion price of Php0.30 per share. The foregoing conversion price is supported by a Fairness Opinion issued by Isla Lipana & Co. ("PWC"). The Company and the Assignors signed the Deed of Assignment of Advances on July 28, 2023.

On October 10, 2023, the Company received the Certificate of Approval of Valuation from the SEC. Accordingly, the Company shall issue 455,068,753 common shares from the unissued portion to the Assignors.

On November 13, 2023, the Company recorded the issuance of the Subscription Shares on its corporate books; however, the Subscription Shares have not been listed with the Philippine Stock Exchange as of date.

### 3. External Auditor Fees

The Company's external auditor is SyCip Gorres Velayo & Co. ("SGV & Co."). The Company paid the following aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor:

Year	Audit & Audit-Related Fees	Tax Fees	All Other Fees
<b>2022</b>	<b>₱2,938,000</b>	<b>₱—</b>	<b>₱—</b>
2021	2,769,360	157,300	—

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.

The audit fees for 2023 are estimated to be at ₱3.23 million.

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, reappointment and removal of the external auditor, and the fixing of the audit fees. The Board and stockholders evaluate and approve the Audit Committee's recommendation.

The Audit Committee discusses with the External Auditor the nature, scope and expenses of its audit, and provides objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders. The Audit Committee also evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses.

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.

### 4. 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 four (4) 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 2023, there is one (1) female sitting on Xurpas Board.

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

A	2	0	0	1	1	7	7	0	8
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**COMPANY NAME**

X	U	R	P	A	S		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

U	n	i	t		8	0	4		A	n	t	e	l		2	0	0	0		C	o	r	p	o	r	a	t	e	
C	e	n	t	r	e	,		1	2	1		V	a	l	e	r	o		S	t	.	,		S	a	l	c	e	d
o		V	i	l	l	a	g	e	,		B	r	g	y	.		B	e	l	-	A	i	r	,		M	a	k	a
t	i		C	i	t	y																							

Form Type

A	C	F	S
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address

info@xurpas.com

Company's Telephone Number

8889-6467

Mobile Number

N/A

No. of Stockholders

32

Annual Meeting (Month / Day)

2nd Monday of May

Fiscal Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Alexander D. Corpuz

Email Address

mar@xurpas.com

Telephone Number/s

8889-6426

Mobile Number

N/A

**CONTACT PERSON'S ADDRESS**

**Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air,  
Makati City, 1227**

**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.



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**“STATEMENT OF MANAGEMENT’S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS”**

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The management of **XURPAS INC. AND SUBSIDIARIES** (the “Group”) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group’s financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



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**JONATHAN GERARD A. GURANGO**  
Chairman of the Board/ Chief Executive Officer



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**ALEXANDER D. CORPUZ**  
President/ Chief Finance Officer/ Chief Information Officer



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**FERNANDO JUDE F. GARCIA**  
Treasurer/ Chief Technology Officer

Signed this 02 MAY 2023



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

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in **PASIG CITY**  
this **02 MAY 2023**, affiants personally appeared and exhibiting to me their validly issued  
government ID with following details:

Name	Government Issued Identification Card No.	Place Issued / Expiry Date
Jonathan Gerard A. Gurango	P5527309A	DFA NCR Northeast/ January 5, 2028
Alexander D. Corpuz	P5670777A	DFA NCR East/ January 17, 2028
Fernando Jude F. Garcia	P3524556B	DFA NCR East/ October 14, 2029

Doc. No. 123 ;  
Page No. 26 ;  
Book No. 1 ;  
Series of 2023.

**EDRIAN M. APAYA**

PTR No. 173321/01-17-2023/Pasig City

IBP No. 250162; 01-19-2023; Masbate

Roll No. 64635

MCLE Compliance VI-0025830; 04-16-19

15th Floor Strata 2000, F. Ortigas Jr. Road, Pasig City

Email address: [cmayaya@gorricetalaw.com](mailto:cmayaya@gorricetalaw.com)

Telephone No. 86960988

Appointment No. 189 (2023-2024) – Pasig City

Commissioned until 31 December 2024

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
Xurpas Inc.  
Unit 804 Antel 2000 Corporate Centre  
121 Valero St., Salcedo Village, Brgy. Bel-Air  
Makati City

### Opinion

We have audited the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred net loss of ₱75.90 million, ₱26.16 million and ₱68.82 million, and negative operating cash outflows of ₱66.12 million, ₱39.21 million and ₱74.42 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Group's capital deficiency amounted to ₱30.70 million and ₱7.91 million as of December 31, 2022 and 2021, respectively, and the Group's current liabilities exceeded its current assets by ₱383.12 million and ₱428.43 million as of December 31, 2022 and 2021, respectively. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Impairment testing of goodwill and investment in Micro Benefits Limited***

The Group has goodwill arising from business combinations and has investments in associates. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment while an investment in associate is tested for impairment when indicators exist that the investment may be impaired. The impairment tests are significant to our audit because the balances of goodwill and investment in Micro Benefits Limited, an associate, as of December 31, 2022, are material to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions, specifically discount rates, annual revenue growth rates, long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) margin.

The Group's disclosures about goodwill are included in Notes 3 and 11 while the disclosures about investment in Micro Benefits Limited are included in Note 9 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment testing analyses for goodwill and investment in Micro Benefits Limited. These assumptions include discount rates, annual revenue growth rates, long-term growth rates and EBITDA margin. We compared the key assumptions used, such as annual revenue growth rates, long-term growth rates and EBITDA margin against the historical performance of the subsidiaries and associate and other relevant external data, taking into consideration the current economic environment. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and investment in Micro Benefits Limited.



## **Other Information**

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2022, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

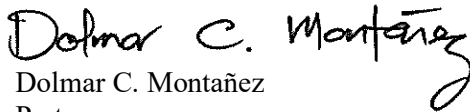
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dolmar C. Montañez.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564669, January 3, 2023, Makati City

May 2, 2023



# XURPAS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 4 and 27)	₱63,309,410	₱35,951,198
Accounts and other receivables (Notes 5, 19 and 27)	96,670,334	66,540,105
Contract assets (Note 6)	49,299,568	29,763,501
Other current assets (Note 8)	15,074,330	21,087,598
Total Current Assets	224,353,642	153,342,402
<b>Noncurrent Assets</b>		
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 7 and 27)	1,200,000	600,000
Investments in and advances to associates (Note 9)	294,969,865	336,217,742
Property and equipment (Note 10)	5,609,743	4,660,131
Intangible assets (Note 11)	62,837,163	88,513,686
Right-of-use assets (Note 18)	167,848	1,174,941
Other noncurrent assets (Note 8)	13,521,084	21,434,436
Total Noncurrent Assets	378,305,703	452,600,936
	<b>₱602,659,345</b>	<b>₱605,943,338</b>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 12, 19 and 27)	₱386,675,655	₱381,698,429
Advances from stockholders (Notes 19 and 27)	152,353,662	143,563,235
Loans payable (Notes 13 and 27)	33,820,629	29,726,407
Contract liabilities (Note 6)	34,454,309	25,763,916
Current portion of lease liabilities (Note 18)	173,322	1,019,202
Total Current Liabilities	607,477,577	581,771,189
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Notes 13 and 27)	4,563,787	9,066,663
Lease liabilities - net of current portion (Note 18)	—	172,803
Deferred tax liabilities – net	3,323	4,266
Pension liabilities (Note 21)	21,313,225	22,834,498
Total Noncurrent Liabilities	25,880,335	32,078,230
Total Liabilities	633,357,912	613,849,419
<b>Capital Deficiency</b>		
Equity attributable to equity holders of Xurpas Inc.		
Capital stock (Note 24)	211,674,403	193,492,585
Additional paid-in capital (Note 24)	3,659,721,747	3,577,903,565
Deficit (Note 25)	(3,293,137,923)	(3,241,042,649)
Accumulated net unrealized loss on financial assets at FVOCI (Note 7)	(43,494,956)	(44,094,956)
Cumulative translation adjustment	18,466,776	50,821,647
Remeasurement gain on defined benefit plan (Note 21)	8,251,009	2,908,954
Equity reserve (Notes 22 and 24)	(363,424,608)	(363,424,608)
Treasury stock (Note 24)	(99,700,819)	(99,700,819)
Revaluation surplus (Note 11)	7,816,043	28,559,774
	106,171,672	105,423,493
Noncontrolling interests (Notes 23)	(136,870,239)	(113,329,574)
Total Capital deficiency	(30,698,567)	(7,906,081)
	<b>₱602,659,345</b>	<b>₱605,943,338</b>

See accompanying Notes to Consolidated Financial Statements.



**XURPAS INC. AND SUBSIDIARIES****SCONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>INCOME</b> (Note 14)			
Service income	<b>₱227,320,033</b>	₱185,392,159	₱121,361,392
Sale of goods	–	24,638,512	52,647,630
	<b>227,320,033</b>	210,030,671	174,009,022
<b>DIRECT COSTS</b>			
Cost of services (Note 15)	<b>169,791,967</b>	158,875,530	127,189,777
Cost of goods sold (Note 8)	–	13,930,963	38,009,423
	<b>169,791,967</b>	172,806,493	165,199,200
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 16)	<b>150,901,665</b>	85,246,686	119,849,055
<b>EQUITY IN NET LOSSES OF ASSOCIATES</b> (Note 9)	<b>4,283,703</b>	320,749	7,747,043
<b>FINANCE COSTS</b> - Net (Note 17)	<b>9,199,717</b>	9,145,612	9,981,548
<b>OTHER INCOME</b> - Net (Note 17)	<b>(35,196,402)</b>	(28,369,439)	(55,227,183)
	<b>129,188,683</b>	66,343,608	82,350,463
<b>LOSS BEFORE INCOME TAX</b>	<b>(71,660,617)</b>	(29,119,430)	(73,540,641)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 20)	<b>4,241,248</b>	(2,959,698)	(4,723,381)
<b>NET LOSS</b>	<b>(75,901,865)</b>	(26,159,732)	(68,817,260)
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustment	<b>(20,313,108)</b>	(10,068,589)	10,652,433
Share in OCI of an associate from cumulative translation adjustment (Note 9)	<b>(11,996,178)</b>	(4,008,857)	6,273,297
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Revaluation surplus (loss) (Note 11)	<b>(20,743,731)</b>	21,321,332	18,819,666
Unrealized gain on financial assets at FVOCI, net of tax (Note 7)	<b>600,000</b>	100,000	42,000
Remeasurement gain on defined benefit plan, net of tax (Note 21)	<b>5,562,396</b>	6,257,089	241,869
	<b>(46,890,621)</b>	13,600,975	36,029,265
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱122,792,486)</b>	(₱12,558,757)	(₱32,787,995)
<b>Net loss attributable to:</b>			
Equity holders of Xurpas Inc.	<b>(₱52,315,615)</b>	(₱8,741,043)	(₱59,080,505)
Noncontrolling interests	<b>(23,586,250)</b>	(17,418,689)	(9,736,755)
	<b>(₱75,901,865)</b>	(₱26,159,732)	(₱68,817,260)
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of Xurpas Inc.	<b>(₱99,251,821)</b>	₱4,838,085	(₱24,024,505)
Noncontrolling interests	<b>(23,540,665)</b>	(17,396,842)	(8,763,490)
	<b>(₱122,792,486)</b>	(₱12,558,757)	(₱32,787,995)
<b>Loss per share</b> (Note 26)			
Basic	<b>(₱0.03)</b>	(₱0.01)	(₱0.03)
Diluted	<b>(₱0.03)</b>	(₱0.01)	(₱0.03)

See accompanying Notes to Consolidated Financial Statements.





# XURPAS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

Year Ended December 31, 2022													
Equity attributable to equity holders of Xurpas Inc.													
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Deficit) (Note 25)	Accumulated Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Revaluation Surplus (Note 11)	Total	Non- Controlling Interest	Total Capital Deficiency
Balances at beginning of year	₱193,492,585	₱3,577,903,565	₱115,464,275	(₱3,356,506,924)	(₱44,094,956)	₱50,821,647	₱2,908,954	(₱363,424,608)	(₱99,700,819)	₱28,559,774	₱105,423,493	(₱113,329,574)	(₱7,906,081)
Issuance of common shares	18,181,818	81,818,182	—	—	—	—	—	—	—	—	100,000,000	—	100,000,000
Derecognition of defined benefit plan (Note 21)	—	—	—	220,341	—	—	(220,341)	—	—	—	—	—	—
Net loss	—	—	—	(52,315,615)	—	—	—	—	—	—	(52,315,615)	(23,586,250)	(75,901,865)
Other comprehensive income (loss) - net of tax effect	—	—	—	—	600,000	(32,354,871)	5,562,396	—	—	(20,743,731)	(46,936,206)	45,585	(46,890,621)
Total comprehensive income (loss)	—	—	—	(52,315,615)	600,000	(32,354,871)	5,562,396	—	—	(20,743,731)	(99,251,821)	(23,540,665)	(122,792,486)
Balances at end of year	₱211,674,403	₱3,659,721,747	₱115,464,275	(₱3,408,602,198)	(₱43,494,956)	₱18,466,776	₱8,251,009	(₱363,424,608)	(₱99,700,819)	₱7,816,043	₱106,171,672	(₱136,870,239)	(₱30,698,567)

Year Ended December 31, 2021													
Equity attributable to equity holders of Xurpas Inc.													
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Deficit) (Note 25)	Accumulated Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Revaluation Surplus (Note 11)	Total	Non- Controlling Interest	Total Capital deficiencies
Balances at beginning of year	₱193,492,585	₱3,577,903,565	₱115,464,275	(₱3,359,347,105)	(₱44,194,956)	₱64,908,736	(₱3,335,931)	(₱363,424,608)	(₱99,700,819)	₱18,819,666	₱100,585,408	(₱95,932,732)	₱4,652,676
Transfer of revaluation surplus	—	—	—	11,581,224	—	—	—	—	—	(11,581,224)	—	—	—
Net loss	—	—	—	(8,741,043)	—	—	—	—	—	—	(8,741,043)	(17,418,689)	(26,159,732)
Other comprehensive income (loss) - net of tax effect	—	—	—	—	100,000	(14,087,089)	6,244,885	—	—	21,321,332	13,579,128	21,847	13,600,975
Total comprehensive income (loss)	—	—	—	(8,741,043)	100,000	(14,087,089)	6,244,885	—	—	21,321,332	4,838,085	(17,396,842)	(12,558,757)
Balances at end of year	₱193,492,585	₱3,577,903,565	₱115,464,275	(₱3,356,506,924)	(₱44,094,956)	₱50,821,647	₱2,908,954	(₱363,424,608)	(₱99,700,819)	₱28,559,774	₱105,423,493	(₱113,329,574)	(₱7,906,081)



	Year Ended December 31, 2020												
	Equity attributable to equity holders of Xurpas Inc.												
	Capital Stock (Note 25)	Additional Paid-in Capital (Note 25)	Retained Earnings - Appropriated (Note 25)	Retained Earnings - Unappropriated (Deficit) (Note 25)	Net Unrealized Loss on Financial Assets at FVOCI (Note 7)	Cumulative Translation Adjustment	Remeasurement Loss on Defined Benefit Plan (Note 22)	Equity Reserve (Notes 23 and 25)	Treasury shares (Note 25)	Revaluation Surplus (Note 11)	Total	Non- Controlling Interest	Total Equity
Balances at beginning of year,	₱193,492,585	₱3,585,092,298	₱115,464,275	(₱3,300,266,600)	(₱44,254,956)	₱47,950,210	(₱2,571,739)	(₱363,424,608)	(₱107,418,911)	₱-	₱124,062,554	(₱98,169,224)	₱25,893,330
Issuance of treasury shares (Note 24)	-	(7,188,733)	-	-	-	-	-	-	7,718,092	-	529,359	-	529,359
Increase in noncontrolling interest (Note 22)	-	-	-	-	-	-	-	-	-	-	-	10,999,982	10,999,982
Net loss	-	-	-	(59,080,505)	-	-	-	-	-	-	(59,080,505)	(9,736,755)	(68,817,260)
Other comprehensive income (loss) - net of tax effect	-	-	-	-	42,000	16,958,526	(764,192)	-	-	18,819,666	35,056,000	973,265	36,029,265
Total comprehensive income (loss)	-	-	-	(59,080,505)	42,000	16,958,526	(764,192)	-	-	18,819,666	(24,024,505)	(8,763,490)	(32,787,995)
Effect of recognition of deferred tax asset (Notes 7 and 20)	-	-	-	-	18,000	-	-	-	-	-	18,000	-	18,000
Balances at end of year	₱193,492,585	₱3,577,903,565	₱115,464,275	(₱3,359,347,105)	(₱44,194,956)	₱64,908,736	(₱3,335,931)	(₱363,424,608)	(₱99,700,819)	₱18,819,666	₱100,585,408	(₱95,932,732)	₱4,652,676

See accompanying Notes to Consolidated Financial Statements.



# XURPAS INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax	(₱71,660,617)	(₱29,119,430)	(₱73,540,641)
Adjustments for:			
Provision for impairment loss (Notes 8, 9, 11 and 16)	49,015,997	2,631,821	16,033,171
Depreciation and amortization			
(Notes 10, 11, 15, 16 and 18)	10,395,095	10,630,955	29,570,496
Interest expense (Notes 13, 17, 18 and 19)	9,656,719	9,189,337	10,628,192
Unrealized foreign currency exchange loss (gain)	7,453,775	4,878,329	(2,999,629)
Equity in net losses of associates (Note 9)	4,283,703	320,749	7,747,043
Pension expense (Note 22)	4,382,303	5,044,583	3,684,223
Loss (gain) on retirement and disposal of property			
and equipment and derecognition of right-of-use asset and			
lease liabilities (Notes 10, 17 and 18)	(54,931)	(267,358)	1,168,543
Interest income (Notes 4 and 17)	(457,002)	(43,725)	(646,644)
Write-off of obsolete inventory (Notes 8 and 16)	–	8,381,571	–
Unrealized gain on revaluation of cryptocurrencies			
(Notes 11 and 17)	37,292	–	(555,709)
Gain on disposal of subsidiary (Notes 17 and 23)	–	–	(3,337,327)
Operating income (loss) before changes in working capital	13,052,334	11,646,832	(12,248,282)
Changes in working capital:			
Decrease (increase) in:			
Accounts and other receivables and contract assets	(61,032,760)	(24,256,178)	(35,711,003)
Other assets	2,261,675	(8,357,085)	15,712,645
Increase (decrease) in:			
Accounts and other payables	(25,085,243)	(6,922,348)	(34,689,691)
Contract liabilities	8,690,393	(6,493,033)	727,869
Cash used in operations	(62,113,601)	(34,381,812)	(66,208,462)
Interest received	457,002	43,725	646,644
Interest paid	(225,434)	(3,349,543)	(5,174,510)
Income taxes paid, including creditable withholding taxes	(4,242,191)	(1,522,166)	(3,681,110)
Net cash used in operating activities	(66,124,224)	(39,209,796)	(74,417,438)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of property and equipment (Note 10)	112,057	271,850	–
Proceeds from sale of cryptocurrencies (Note 11)	–	13,624,230	–
Additions to:			
Intangible assets (Notes 11 and 29)	(2,269,429)	(387,351)	(96,332)
Property and equipment (Notes 10 and 29)	(4,246,403)	(2,795,422)	(1,238,440)
Cash of disposed subsidiary (Note 23)	–	–	(1,088,427)
Net cash provided by (used in) investing activities	(6,403,775)	10,713,307	(2,423,199)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common shares	100,000,000	–	–
Payment of loans payable (Note 13)	(408,654)	(2,917,213)	(10,346,413)
Payment of principal portion of lease liabilities (Note 18)	(1,041,787)	(868,156)	(2,184,116)
Net cash provided by (used in) financing activities	98,549,559	(3,785,369)	(12,530,529)
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE</b>			
RATE CHANGES ON CASH	1,336,652	489,214	3,185,961
<b>NET INCREASE (DECREASE) IN CASH</b>	27,358,212	(31,792,643)	(86,185,205)
<b>CASH AT BEGINNING OF YEAR</b>	35,951,198	67,743,841	153,929,046
<b>CASH AT END OF YEAR (Note 4)</b>	₱63,309,410	₱35,951,198	₱67,743,841

See accompanying Notes to Consolidated Financial Statements.



# **XURPAS INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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.

Prior to 2021, the Parent Company's registered office address and principal place of business is at 7th Floor, Cambridge Centre, 108 Tordesillas St. Salcedo Village, Makati City. On March 31, 2021, the Board of Directors (BOD) of the Parent Company approved the transfer of the principal place of business of the Parent Company to Unit 804 Antel 2000 Corporate Center, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City.

On December 2, 2014, the Parent Company's shares of stock were listed in the Philippine Stock Exchange (PSE).

The Group incurred net loss of ₱75.90 million, ₱26.16 million and ₱68.82 million, and net operating cash outflows of ₱66.12 million, ₱39.21 million and ₱74.42 million for the years ended December 31, 2022, 2021 and 2020, respectively. The Group's capital deficiency amounted to ₱30.70 million and ₱7.91 million as of December 31, 2022 and 2021, respectively, and the Group's current liabilities exceeded its current assets by ₱383.12 million and ₱428.43 million as of December 31, 2022 and 2021, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may not be able to realize its assets and discharge its liabilities in the normal course of business. Management assessed that the Group will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials and disposal of assets. The Group will also defer payment of certain liabilities until such time that the Group is in a financial position to do so and refinance its short-term loans

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.

#### *Planned acquisition of Wavemaker Group Inc.*

In 2019, the Parent Company's BOD approved the acquisition of 100% equity interest in Wavemaker US Fund Management Holdings, LLC, a venture capital management firm based in Los Angeles, California, United States of America. In 2020, the parties agreed to purchase Wavemaker Group, Inc. instead of Wavemaker US Fund Management Holdings, LLC, a limited liability company. Wavemaker Group Inc. is a fund management entity duly incorporated under the laws of Delaware, United States of America, that primarily invests in companies that focuses on high technology industries.

On September 20, 2020, the Parent Company's BOD approved the purchase of 100% of Wavemaker Group Inc. at a purchase price of approximately ₱170.00 million which shall be paid in cash upon completion of the transaction. The Stock Purchase Agreement for the said acquisition has already been signed by the Parties in 2020. Notwithstanding the execution of the definitive agreements, the Parent Company's acquisition of Wavemaker Group Inc. is conditioned on receipt of the approval of the Parent Company's stockholders and certain regulatory confirmations prior to proceeding with the transaction. Accordingly, the trading of the Parent Company's shares with the PSE has been suspended on September 21, 2020 pending receipt of the regulatory clearances.



On December 22, 2021, the parties mutually agreed to terminate the Subscription Agreement, Stock Purchase Agreement and such other agreements due to failure to close the transaction by December 31, 2020. The PSE lifted the trading suspension on January 17, 2022.

*Suspended operations of Storm Technologies, Inc. (Storm)*

In 2022, Storm suspended the operation of its human resource online platform and recognized provision for impairment loss on the related assets that are not currently recoverable amounting to ₱14.05 million (see Note 16). Storm continues to have ownership in Allcare Technologies Inc. which operates another human resource online platform .

*Sale of Altitude Games Pte. Ltd.*

On October 3, 2022, Altitude Games Pte. Ltd (AGPL) (Singapore entity), an associate of the Parent Company, executed a non-binding indicative term sheet for the sale of its assets, including intellectual property and licenses through a sale of business agreement between AGPL and a company registered in Australia. The Parent Company currently owns 21.17% shares in AGPL and Altitude Games Inc. (Philippine entity). Accordingly, the Parent Company will receive approximately USD900,982.04 in net proceeds, which shall include the payment for the convertible debt, and the corresponding equity stake in Altitude's business. AGPL is still finalizing the long-term agreements as of date.

*Incorporation of Xurpas Software, Inc. (XSI)*

On December 13, 2022, the BOD approved the incorporation of a wholly-owned subsidiary under the laws of the Republic of the Philippines under the name of XSI 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. The application is still pending to SEC for approval as of date.

The consolidated financial statements were approved and authorized for issue by the BOD on May 2, 2023.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) measured at fair value and cryptocurrencies under intangible assets measured under the revaluation model. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All amounts were rounded off to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

### Statement of Compliance

The consolidated financial statements of the Group as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).



### Basis of Consolidation

The consolidated financial statements include the accounts of Xurpas and its subsidiaries.

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 an 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 (OCI) to profit or loss or retained earnings, as appropriate.



As of December 31, 2022, 2021 and 2020, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Percentage Ownership			Principal Activities
	2022	2021	2020	
Xeleb Technologies Inc. (Xeleb Technologies)	<b>100.00</b>	100.00	100.00	Enterprise services and mobile consumer services
Xeleb Inc. (Xeleb)	<b>100.00</b>	100.00	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	<b>70.00</b>	70.00	70.00	Enterprise services
Codesignate Inc. (Codesignate) <sup>1</sup>	<b>52.50</b>	52.50	52.50	Enterprise services
Storm Technologies, Inc. (Storm)	<b>51.31</b>	51.31	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia) <sup>2</sup>	<b>51.31</b>	51.31	51.31	Human resource management
Allcare Technologies, Inc. <sup>3</sup>	<b>35.35</b>	35.35	35.35	Human resource management
Xurpas Enterprise Inc. (Xurpas Enterprise)	<b>100.00</b>	100.00	100.00	Enterprise services
Art of Click Pte. Ltd. (AOC)	<b>100.00</b>	100.00	100.00	Mobile consumer services
ODX Pte. Ltd. (ODX)	<b>100.00</b>	100.00	100.00	Enterprise services

<sup>1</sup> Codesignate is a 75.00%-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.

<sup>2</sup> Storm Indonesia is 100%-owned of Storm Technologies, Inc.

<sup>3</sup> Storm has 68.90%-ownership over Allcare in 2021 and 2020 and 83.84% ownership in 2019. The Group's effective ownership over Allcare is 35.35% in 2021 and 2020 and 43.02% in 2019. The Group has determined that it has control over the entity (see "Judgements" on 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

Xeleb Technologies was organized to primarily engage in the business of mobile content development. On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb Technologies.

As at December 31, 2022, Xeleb Technologies has yet to apply for the approval of government regulatory agencies for its dissolution.

#### Xeleb

On July 14, 2015, the Parent Company incorporated Xeleb, a mobile games company domiciled in the Philippines. On September 11, 2019, the BOD of the Parent Company approved the dissolution of Xeleb.

As at December 31, 2022, Xeleb has yet to apply for the approval of government regulatory agencies for its dissolution.

#### Storm

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 platform.

#### Xurpas Enterprise

On March 23, 2016, the Parent Company incorporated Xurpas Enterprise to 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, Xurpas signed a Share Purchase Agreement for the acquisition of 100% stake in AOC 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

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 December 31, 2022.

#### 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 amended PFRS and improvements to PFRS which were adopted beginning January 1, 2022. Adoption of these amendments did not have any significant impact on the consolidated financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.





- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no significant impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group’s financial instruments during the period.



- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

The Group does not have assets in scope of PAS 41.

#### Standards and Interpretation Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Group intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 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).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- 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.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- 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*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. Earlier adoption is permitted, and that fact must be disclosed

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts



On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The new standard is not applicable to the Group since it has no activities that are connected with insurance or issue insurance contracts.

#### *Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and 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 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 to 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 27).

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 fair value through profit or loss (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, *Revenue from Contracts with Customers*. 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 'solely payments of principal and interest (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 "Accounts and other receivables" (except for "Advances to employees" which are subject to liquidation) and "Refundable deposits" under other current assets, and "Security deposit" 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 profit or loss 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 profit or loss.

This category includes 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.

Derecognition

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 consolidated 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.

#### Impairment of Financial Assets and Contract Assets

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 such as inflation and GDP growth rates 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, 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.

*Write-off*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. If a write-off is later recovered, the recovery is recognized in profit or loss to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

*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.

*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 consolidated 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 effective interest rate (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 profit or loss.

This category generally applies to loans payable.

#### *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.

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 has expired. 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.

#### *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 and Advances to Associates

The Group's investments in 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. Dividends received are treated as a reduction of the carrying value of the investment. The interest in the associate is the carrying value of the investment in associate determined using the equity method.

The Group discontinues applying the equity method when their investment in an associate is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associate. When the associate subsequently reports 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 associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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 and net realizable value (NRV). Cost which includes all cost directly attributable to acquisition such as purchase price and transport cost is determined using the first-in, first-out method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective items based on management's physical inspection and evaluation. When inventories are sold, the allowance is reversed and the whole cost is charged to operations. Inventories are written off when there is no reasonable expectation of selling the inventory. Impairment losses are recognized in profit or loss.



### 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 are 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.

### Intangible Assets

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 any 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 economic useful 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 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 to 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 cryptocurrencies' carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under "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 "Revaluation surplus". Changes in revaluation surplus are transferred to retained earnings in subsequent periods when the asset is derecognized.

#### *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 services.

#### Business Combinations and Goodwill

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 assets acquired 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, is measured at fair value with changes in fair value recognized either in profit or loss. 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 measured 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.

#### Noncontrolling Interests

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.

#### 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 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 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 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 consolidated financial statements exceeding the carrying amount of the associate's net assets, including goodwill.

#### *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 cash-generating unit ("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.

#### Equity

##### *Capital stock and additional paid-in capital*

Capital stock is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital".

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 (deficit) 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) a portion of equity against which payments to a former shareholder of a subsidiary was charged;
- (c) gains or losses resulting from increase or decrease in ownership without loss of control; and
- (d) difference between the consideration transferred and the net assets acquired in common control business combination.





### Revenue Recognition

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 Group'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 years ended December 31, 2022, 2021 and 2020, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

### Contract Balances

#### *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 and Other Income

Interest income is recognized as it accrues.

#### Cost and Expenses

“Cost of services”, “Cost of goods sold”, and “General and administrative expenses” are expenditures recognized in the consolidated statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured 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.

#### Leases

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	1.5 to 2.5 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 balance sheet 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 investment in domestic associates.

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 offset 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 statement 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.

#### Share-based Payment Transactions

Certain employees of the Group receive remuneration (bonuses) in the form of share-based payment transactions from the Parent Company, whereby the employees are issued treasury shares in exchange for the rendered services (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value of the shares at the date the shares are granted. This is recognized as salaries, wages and employee benefits expense in profit or loss when vested.



### Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's and the subsidiaries' functional currency, except for AOC and ODX, which is Singapore dollar (SGD), and Storm Indonesia, which is Indonesian Rupiah (Rp). 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 profit or loss accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are recorded under other comprehensive income and accumulated in 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.

Investment 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 (Loss) per Share (EPS)

Basic EPS is computed by dividing net income or loss 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 or loss 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 28 to 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.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.



#### Accounting for crypto-related transactions

##### *Proceeds Arising from the Pre-Sale Agreements (“PSA”)*

Proceeds from the PSA are recognized upon receipt and measured at the fair value of the related crypto currency. The entire proceeds are presented under the liability section of the consolidated statement of the financial position at initial recognition. The portion of the proceeds which pertains to the estimated costs to develop the ODX platform is treated as a constructive obligation (refer to the accounting policy for Provisions) and offset by the actual costs incurred for the platform. The remaining balance of the proceeds is accounted for by analogy to government grants under PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. This portion will be amortized over the life of the platform when it becomes available for use. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. The exchange differences arising on the translation are recognized in the consolidated statements of comprehensive income and reported as a separate component of equity as “Cumulative Translation Adjustments”.

##### *Platform Development Costs*

Actual costs incurred in the development of the ODX platform are offset against provisions and treated as a fulfillment of the constructive obligation arising from the PSA.

##### *ODX Tokens*

ODX Tokens generated but not issued are not recognized in the consolidated financial statements. Issuance of ODX Tokens to third parties does not have impact to the consolidated financial statements. Risks and rewards to these ODX Tokens are transferred to the third parties upon issuance.

#### 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 financial 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.

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### **3. Significant Accounting Judgments and Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in compliance with PFRSs 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 statements. 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.

#### Judgments

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 use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or condition that are inherently uncertain. The Group has no plans to liquidate. Management assessed that it will be able to maintain its positive cash position and settle its liabilities as they fall due through future actions such as continuous venture into new revenue potentials, cost cutting measures, and equity funding to support liquidity. Accordingly, the consolidated financial statements are prepared on a going concern basis.

##### *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 9) 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.





### Management's Use of Estimates

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 December 31, 2022 and 2021 (see Note 11).

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 ₱272.89 million and ₱314.13 million as of December 31, 2022 and 2021, respectively. In 2022, the impairment loss recognized in investment in Micro Benefits Limited (MBL) amounted to ₱24.97 million (see Note 9).

#### *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.

Judgment is exercised in determining whether the Group can recognize revenue outright or over the development period. The Group recognizes revenue over the development period if all of the following criteria are met; otherwise, revenue is recognized outright:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the software/platform under development;
- the delivery of the developed software/platform directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Revenues from other revenue streams are recognized at a point in time when control over goods or services is transferred (see Note 2).

The Group recognized service income subject to percentage of completion amounting to ₱37.63 million, ₱15.87 million, and ₱60.25 million in 2022, 2021 and 2020, respectively. This is included as part of service income from enterprise services (see Note 14).



*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 external 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 operations (see Note 30).

*d. Provision for expected credit losses of accounts and other receivables*

The Group uses a provision matrix to calculate ECLs for accounts and other 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 forecasted 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 December 31, 2022 and 2021, allowance for impairment losses on accounts and other receivables amounted to ₱32.94 million and ₱23.21 million, respectively (see Notes 5 and 27).

*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.

The Group did not recognize deferred tax assets on deductible temporary differences and NOLCO amounting to ₱770.08 million and ₱789.97 million as at December 31, 2022 and 2021, respectively (see Note 21).

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#### 4. Cash

This account consists of:

	2022	2021
Cash on hand	₱879,608	₱72,001
Cash in banks	62,429,802	35,879,197
	<b>₱63,309,410</b>	<b>₱35,951,198</b>

Cash in banks earn interest at the prevailing bank deposit rates.



Foreign currency-denominated cash in banks amounted to ₱2.27 million and ₱14.78 million as of December 31, 2022 and 2021, respectively (see Note 27).

Interest income earned from cash in banks and cash equivalent amounted to ₱0.46 million, ₱0.04 million and ₱0.65 million in 2022, 2021 and 2020, respectively (see Note 17).

## 5. Accounts and Other Receivables

This account consists of:

	2022	2021
Trade receivables	<b>₱93,575,021</b>	₱58,404,493
Receivable from related parties (Note 19)	<b>21,424,517</b>	17,265,112
Advances to employees	<b>2,411,075</b>	1,826,111
Others	<b>12,200,603</b>	12,255,291
	<b>129,611,216</b>	89,751,007
Less: allowance for impairment losses	<b>32,940,882</b>	23,210,902
	<b>₱96,670,334</b>	₱66,540,105

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 include advances to a third party, which are due and demandable.

The table below shows the movements in the provision for impairment losses of receivables:

	2022	2021
Balance at beginning of year	<b>₱23,210,902</b>	₱22,339,018
Provisions (Note 16)	<b>11,909,533</b>	2,608,421
Write-off	<b>(3,249,825)</b>	(2,067,842)
Translation adjustments	<b>1,070,272</b>	331,305
Balance at end of year	<b>₱32,940,882</b>	₱23,210,902

As of December 31, 2022 and 2021, the allowance for impairment losses pertains to:

	2022	2021
Trade receivables	<b>₱15,263,876</b>	₱10,356,132
Receivable from related parties (Note 19)	<b>6,137,019</b>	5,485,061
Others	<b>11,539,987</b>	7,369,709
	<b>₱32,940,882</b>	₱23,210,902



## 6. Contract Balances

This account consists of:

	2022	2021
Contract assets	<b>₱49,299,568</b>	₱29,763,501
Contract liabilities	<b>34,454,309</b>	25,763,916

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 conditioned with the acceptance of the customer, the amount recognized as contract assets are reclassified to trade receivables.

Contract liabilities consist of collections from customers under custom development services, trading of goods and other services which have not qualified for revenue recognition. Amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱12.98 million, ₱18.00 million and ₱28.99 million in 2022, 2021 and 2020, respectively.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱34.45 million, ₱25.76 million and ₱4.07 million in 2022, 2021 and 2020, respectively.

The performance obligations relate to the continuous custom development, trading of goods and other services which are expected to be recognized within one year.

## 7. Financial Assets at Fair Value through Other Comprehensive Income and Fair Value through Profit and Loss

This account consists of:

	2022	2021
<i>Financial assets at FVOCI</i>		
Quoted shares		
Club Punta Fuego	<b>₱1,200,000</b>	₱600,000
Unquoted equity investment	—	—
<i>Financial assets at FVPL</i>		
Unquoted debt instruments	—	—
	<b>₱1,200,000</b>	₱600,000

The rollforward analysis of financial assets at FVOCI follow:

	2022	2021
Balance at beginning of year	<b>₱600,000</b>	₱500,000
Unrealized gain on financial assets at FVOCI, net of tax	<b>600,000</b>	100,000
	<b>₱1,200,000</b>	₱600,000



The rollforward analysis of “Accumulated net unrealized loss on financial assets at FVOCI” follow:

	2022	2021
Balance at beginning of year	(P44,094,956)	(P44,194,956)
Unrealized gain on financial assets at FVOCI	600,000	100,000
Balance at end of year	(P43,494,956)	(P44,094,956)

Unrealized fair value gain on financial assets at FVOCI is recognized under “Other comprehensive income (loss)” in the consolidated statements of comprehensive income.

The quoted shares are categorized under the Level 2 of the fair value hierarchy. The unquoted equity investments are categorized under Level 3 (see Note 27).

*Quoted equity investment*

Quoted equity instrument consists of investment in golf club shares.

*Unquoted equity investment*

In April 2015, the Group acquired 666,666 shares of Series A Preferred Stock of Zowdow Inc. (“Zowdow”) at a purchase price of \$1.50 per share for a total investment of US\$999,999 or P44.24 million. As at December 31, 2022 and 2021, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As at December 31, 2022 and 2021, the Group has unrealized loss on this investment amounting to P44.24 million.

*Unquoted debt investments*

The Group has convertible promissory notes and bonds receivable as of December 31, 2022 and 2021:

	2022	2021
Unquoted debt investments		
MatchMe Pte. Ltd.	P52,495,000	P52,495,000
Altitude Games Pte. Ltd.	28,856,000	28,856,000
Einsights Pte. Ltd.	23,475,000	23,475,000
Pico Candy Pte. Ltd.	3,602,123	3,602,123
	108,428,123	108,428,123
Less: remeasurement loss	(108,428,123)	(108,428,123)
Balance at end of year	P—	P—

## 8. Other Assets

Other current assets

This account consists of:

	2022	2021
Input VAT – net	P10,056,921	P9,511,605
Creditable withholding taxes	5,997,879	7,226,893
Prepaid expenses	1,187,897	2,752,233
Refundable deposits	1,010,735	1,257,774
Deferred input VAT	198,244	188,773
Inventories	—	150,320
	18,451,676	21,087,598
Less: allowance for impairment losses	3,377,346	—
	P15,074,330	P21,087,598



Input VAT represents VAT on acquired goods and services which can be offset to output VAT.

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.

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

Refundable deposits pertain to security deposit made for performance bond and rent which will be received within one year.

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.

Inventories include purchases of goods to be sold. These are carried at cost. Loss recognized from written-off obsolete inventory amounted to ₱0.12 million ₱8.38 million in 2022 and 2021, respectively. Cost of goods sold recognized amounted to nil, ₱13.93 million and ₱38.01 million in 2022, 2021 and 2020, respectively.

Other noncurrent assets

This account consists of:

	2022	2021
Creditable withholding tax	<b>₱20,678,208</b>	₱20,537,686
Deferred input VAT	<b>1,466,865</b>	1,465,454
Security deposit	—	260,447
Others	<b>696,942</b>	747,251
	<b>22,842,015</b>	23,010,838
Less: allowance for impairment losses	<b>9,320,931</b>	1,576,402
	<b>₱13,521,084</b>	₱21,434,436

## 9. Investments in and Advances to Associates

This account consists of:

	2022	2021
<b>Investments in Associates</b>		
<i>Cost</i>		
Balance at beginning and end of year	<b>₱577,561,081</b>	₱577,561,081
<i>Equity in net loss</i>		
Balance at beginning of year	<b>(174,445,882)</b>	(174,125,133)
Share in net losses during the year	<b>(4,283,703)</b>	(320,749)
Balance at end of year	<b>(178,729,585)</b>	(174,445,882)
<i>Cumulative translation adjustment</i>		
Balance at beginning of year	<b>18,165,445</b>	22,174,302
Movement during the year	<b>(11,996,178)</b>	(4,008,857)
Balance at end of year	<b>6,169,267</b>	18,165,445

(Forward)



	2022	2021
<i>Accumulated impairment</i>		
Balance at beginning of year	(P107,147,488)	(P107,147,488)
Movement during the year	(24,967,996)	—
Balance at end of year	(132,115,484)	(107,147,488)
	272,885,279	314,133,156
<b>Advances to Associate</b>	<b>22,084,586</b>	<b>22,084,586</b>
	<b>P294,969,865</b>	<b>P336,217,742</b>

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	
	2022	2021	2022	2021
<b>Investments in Associates</b>				
Micro Benefits Limited	23.53	23.53	P232,352,371	P273,687,024
Altitude Games Pte. Ltd.	21.17	21.17	20,430,326	21,221,389
PT Sembilan Digital Investama	49.00	49.00	20,102,582	19,224,743
MatchMe Pte. Ltd.	29.10	29.10	—	—
Altitude Games Inc.	21.17	21.17	—	—
			272,885,279	314,133,156
<b>Advances to associate</b>				
PT Sembilan Digital Investama			22,084,586	22,084,586
			<b>P294,969,865</b>	<b>P336,217,742</b>

#### *Micro Benefits Limited*

On March 9, 2016, the Group 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.

In 2022, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits where it showed that an impairment provision must be recognized. In determining the provision, the recoverable amount was determined based on value-in-use ("VIU") calculations. The VIU was derived from cash flow projections over a period of five years based on the 2022 financial budgets and calculated terminal value.

Using the projections for five years and applying a terminal value thereafter, the Group calculated a recoverable amount of P232.35 million. Consequently, the Group recognized a provision for impairment loss of its investment in Micro Benefits amounting to P24.97 million in 2022.

In 2021 and 2020, indicators of impairment were identified by management, as a result, an impairment test was carried out for investment in Micro Benefits. No impairment loss was recognized by the Group on its investment in Micro Benefits. Refer to the discussion below for the significant assumptions for the VIU.



Micro Benefits' registered office address is at 11th Floor, Club Lusitano, 16 Ice House Street, Central, Hong Kong.

*Altitude Games Pte. Ltd.*

As at December 31, 2022 and 2021, 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 Group acquired 147 shares representing 49% shareholdings in PT Sembilan Digital Investama ("SDI") amounting to ₱10.83 million. The acquisition gave the Group access to PT Ninelives Interactive, a mobile content and distribution company in Indonesia, which SDI owns.

As of December 31, 2022 and 2021, 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 Jl. 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.

MatchMe incurred recurring losses for the past four years and attained capital deficiency position as of December 31, 2019. In 2019, MatchMe became dormant. On these bases, the Group recognized full impairment loss on its investment in MatchMe amounting to ₱38.66 million in 2019.

MatchMe's registered office address is at 100 Cecil Street #10-01/002 the Globe, Singapore.

*Altitude Games, Inc.*

On July 22, 2015, the Group 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.

The Group has cumulative unrecognized share in net loss in Altitude Philippines amounting to ₱0.34 million and ₱0.42 million as of December 31, 2022 and 2021, respectively, and unrecognized share in net loss for the years ended December 31, 2022, 2021 and 2020 amounting to ₱0.04 million, ₱0.12 million and ₱0.08 million, respectively.

Altitude Philippine's registered office address is at Unit A51 5th Floor Zeta II Bldg., Salcedo St. Legazpi Village, Makati City.

As of December 31, 2022, and 2021, there are no capital commitments relating to the Group's interests in its associates.





The Group considers an associate with material interest if the net assets of the associate exceed 5% of the Group's consolidated total assets 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 Group's ability to use assets and settle liabilities.

Following is the significant financial information of the associate with material interest:

*Micro Benefits*

	2022	2021
Current assets	<b>₱41,343,219</b>	₱44,919,894
Noncurrent assets	<b>386,183</b>	321,476
Current liabilities	<b>(36,413,886)</b>	(25,029,710)
Noncurrent liabilities	<b>(555,009,741)</b>	(500,349,332)
Total equity	<b>(549,694,225)</b>	(480,137,672)
Proportion of Group's ownership	<b>23.53%</b>	23.53%
Group's share in identifiable net assets	<b>(129,343,051)</b>	(112,976,394)
Implied goodwill and recognized impairment	<b>361,695,422</b>	386,663,418
Carrying amount of the investment	<b>₱232,352,371</b>	₱273,687,024

No dividends were received in 2022, 2021 and 2020.

	2022	2021
Total revenue	<b>₱120,642,517</b>	₱107,431,416
Total expenses	<b>142,559,432</b>	126,841,663
Net loss/ Total comprehensive loss	<b>(21,916,915)</b>	(19,410,247)
Group's share in net loss/ total comprehensive loss for the year	<b>(₱5,157,050)</b>	(₱4,567,231)

Aggregate financial information on associates with immaterial interest is as follows:

	2022	2021
Carrying amount	<b>₱40,532,908</b>	₱40,446,132
Group's share of net losses for the year	<b>873,347</b>	4,246,482
Group's share in total comprehensive loss	<b>873,347</b>	4,246,482

In 2022 and 2021, the Group performed impairment testing using a discounted cash flow analysis to determine value-in-use. Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital and growth rates.

- *Discount rate*

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the associates domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta of the associate. In 2022, 2021 and 2020, management assumed discount rates of 11.05%, 8.12% and 9.00%, respectively.



- *Growth rate*

Annual growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2022, 2021 and 2020, management assumed average growth rates in revenues of 7.90% to 25.96%, 10.59% to 20.51% and 10.79% to 31.68%, respectively, and terminal growth rate of 2.80%, 2.50% and 2.50%, respectively.

Impairment loss amounting to ₱24.97 million was recognized in 2022 for the Group's investments in associates. No impairment loss was recognized in 2021 and 2020.

## 10. Property and Equipment

Rollforward of this account is as follows:

### December 31, 2022

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
At beginning of year	₱120,536	₱4,807,711	₱20,654,451	₱3,729,846	₱1,384,471	₱30,697,015
Additions	—	173,619	4,072,784	—	—	4,246,403
Retirements and disposals	—	—	(8,369,938)	—	—	(8,369,938)
At end of year	120,536	4,981,330	16,357,297	3,729,846	1,384,471	26,573,480
<b>Accumulated Depreciation and Amortization</b>						
At beginning of year	120,536	4,700,409	16,345,298	3,685,873	1,184,768	26,036,884
Depreciation and amortization (Notes 15 and 16)	—	67,941	2,974,547	35,231	161,946	3,239,665
Retirements and disposals	—	—	(8,312,812)	—	—	(8,312,812)
At end of year	120,536	4,768,350	11,007,033	3,721,104	1,346,714	20,963,737
<b>Net Book Value</b>	<b>₱—</b>	<b>₱212,980</b>	<b>₱5,350,264</b>	<b>₱8,742</b>	<b>₱37,757</b>	<b>₱5,609,743</b>

### December 31, 2021

	Transportation Equipment	Office Equipment	IT Equipment	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>						
At beginning of year	₱120,536	₱5,114,348	₱18,345,690	₱4,340,034	₱1,060,578	₱28,981,186
Additions	—	31,250	2,440,279	—	323,893	2,795,422
Retirements and disposals	—	(337,887)	(131,518)	(610,188)	—	(1,079,593)
At end of year	120,536	4,807,711	20,654,451	3,729,846	1,384,471	30,697,015
<b>Accumulated Depreciation and Amortization</b>						
At beginning of year	120,536	4,737,656	14,580,020	4,252,041	1,037,988	24,728,241
Depreciation and amortization (Notes 15 and 16)	—	300,640	1,892,304	44,020	146,780	2,383,744
Retirements and disposals	—	(337,887)	(127,026)	(610,188)	—	(1,075,101)
At end of year	120,536	4,700,409	16,345,298	3,685,873	1,184,768	26,036,884
<b>Net Book Value</b>	<b>₱—</b>	<b>₱107,302</b>	<b>₱4,309,153</b>	<b>₱43,973</b>	<b>₱199,703</b>	<b>₱4,660,131</b>



Depreciation and amortization are charged as follows:

	2022	2021	2020
Cost of services (Note 15)	₱–	₱–	₱99,387
General and administrative expenses (Note 16)	3,239,665	2,383,744	5,122,959
	<b>₱3,239,665</b>	<b>₱2,383,744</b>	<b>₱5,222,346</b>

The Group retired and disposed property and equipment with cost amounting to ₱8.37 million resulting in a loss of ₱0.05 million in 2022, ₱1.08 million resulting in a gain of ₱0.27 million in 2021, and ₱2.84 million resulting in a loss of ₱0.04 million in 2020 recognized under “Other income (charges)” account (see Note 17).

There is no capitalized interest as at December 31, 2022 and 2021.

There are no property and equipment pledged as collateral as at December 31, 2022 and 2021.

## 11. Intangible Assets

This account consists of:

### December 31, 2022

	Goodwill	Developed Software	Cryptocurrencies	Total
<b>Cost</b>				
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	2,112,062,505
<b>Accumulated amortization</b>				
At beginning of year	–	86,916,684	–	86,916,684
Amortization (Note 15)	–	6,148,337	–	6,148,337
At end of year	–	93,065,021	–	93,065,021
<b>Accumulated Impairment</b>				
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
<b>Accumulated revaluation surplus</b>				
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
<b>Net Book Value</b>	<b>₱48,221,984</b>	<b>₱1,069,269</b>	<b>₱13,545,910</b>	<b>₱62,837,163</b>

### December 31, 2021

	Goodwill	Developed Software	Crypto-currencies	Total
<b>Cost</b>				
At beginning of year	₱2,004,469,603	₱102,893,116	₱4,086,012	₱2,111,448,731
Additions	–	387,351	–	387,351
Disposals/ Derecognition	–	–	(2,043,006)	(2,043,006)
At end of year	2,004,469,603	103,280,467	2,043,006	2,109,793,076
<b>Accumulated amortization</b>				
At beginning of year	–	79,508,717	–	79,508,717
Amortization (Note 15)	–	7,407,967	–	7,407,967
At end of year	–	86,916,684	–	86,916,684
<b>Accumulated Impairment</b>				
At beginning and end of year	1,956,247,619	9,226,335	–	1,965,473,954

(Forward)



	Goodwill	Developed Software	Crypto-currencies	Total
<b>Accumulated revaluation surplus</b>				
At beginning of year	P–	P–	P21,371,140	P21,371,140
Revaluation increase	–	–	21,321,332	21,321,332
Disposals	–	–	(11,581,224)	(11,581,224)
At end of year	–	–	31,111,248	31,111,248
<b>Net Book Value</b>	<b>P48,221,984</b>	<b>P7,137,448</b>	<b>P33,154,254</b>	<b>P88,513,686</b>

### *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. In 2022, developed software of Storm was provided with allowance for impairment after suspension of its business operations.

### *Cryptocurrencies*

Cryptocurrencies pertain to units of Bitcoin, Ether and USDC held by the Group as at December 31, 2022 and 2021.

The fair value of cryptocurrencies was determined using quoted market prices in active markets categorized under Level 1 of fair value hierarchy. As at December 31, 2022 and 2021, the fair value of Bitcoin is USD16,537.40 per unit and USD46,219.50 per unit, respectively, the fair value of Ether is USD1,196.77 and USD3,682.63, respectively while the fair value of USDC is USD1.00 per unit and nil, respectively.

In 2021, the Group sold cryptocurrencies with cost amounting to P2.04 million. “Foreign exchange loss” in 2021 amounted to P0.09 million. There was no sale of cryptocurrencies in 2022 and 2020.

Revaluation of cryptocurrencies resulted in a loss of P20.78 million in 2022 and a gain of P21.32 million in 2021, recognized under “Revaluation surplus” in “Other comprehensive income (loss)”. Gain on revaluation of P0.56 million was also recognized in 2020 under “Unrealized gain (loss) on revaluation of cryptocurrencies” in “Other income (charges)” in the consolidated statements of comprehensive income (see Note 17).

The amortization expense of intangible assets recognized in “Depreciation and amortization” under “Cost of services” in the consolidated statements of comprehensive income amounted to P6.15 million, P7.41 million and P22.63 million in 2022, 2021 and 2020, respectively (see Note 15).

### *Impairment testing of goodwill*

Goodwill acquired through business combinations were reviewed to look for any indication that an asset may be impaired. The Group used a discounted cash flow analysis to determine value-in-use. Value-in-use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money and the price for bearing the uncertainty inherent in the asset. The calculation of the value-in-use is based on reasonable and supportable assumptions, the most recent budgets and forecasts approved by management covering a five-year period. Management determined the financial budgets based on past performance and its expectations for market development.



*Key Assumptions Used in Value-in-Use Calculations*

Key assumptions used to determine the value-in-use are discount rates including cost of debt and cost of capital, average revenue growth rates, long-term growth rates and EBITDA margins.

- *Discount rate*

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's weighted average cost of capital (WACC). The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the subsidiaries are domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. In 2022, 2021 and 2020, management assumed discount rates of 11.05% to 16.50%, 8.57% to 11.53% and 13.39% to 15.33%, respectively.

- *Average annual revenue growth rate and long-term growth rate*

Average growth rates in revenues are based on the Group's expectation of market developments and the changes in the environment in which it operates. The Group uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of real gross domestic product (GDP) of the economy in which the business operates. In 2022, 2021 and 2020, management assumed average growth rates in revenues of 0.00% to 33.33%, 0.00% to 59.09% and 0.00% to 25.93%, respectively, and terminal growth rates of 2.80% to 4.68%, 3.00% and 3.00%, respectively.

- *EBITDA margin*

The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. In 2022, 2021 and 2019, management assumed EBITDA margin of 1.60% to 62.60%, 19.77% to 43.99% and 6.00% to 15.00%, respectively.

Management recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 10.5% discount rates, or a reduction of growth rates of 20.0% would give a value-in-use equal to the carrying amount of the cash generating units.

As of December 31, 2022 and 2021 the outstanding balance of goodwill pertains to the following CGUs:

Storm Technologies, Inc.	₱45,588,402
Seer Technologies, Inc.	2,633,582
	<u>₱48,221,984</u>

As of December 31, 2022 and 2021 the accumulated impairment on goodwill pertains to the following CGUs:

Art of Click Pte. Ltd.	₱1,787,723,086
Storm Technologies, Inc.	88,573,284
Xeleb Technologies, Inc.	69,085,646
Seer Technologies, Inc.	10,865,603
	<u>₱1,956,247,619</u>



The recoverable amounts have been based on value-in-use calculations using cash flow projections from forecasts provided by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rates of 2.80% to 4.68%.

No impairment loss was recognized in 2022, 2021 and 2020.

## 12. Accounts and Other Payables

This account consists of:

	2022	2021
Payable to third parties	<b>₱88,327,722</b>	₱88,335,222
Nontrade payable	<b>62,801,727</b>	54,573,797
Payable to related parties (Note 19)	<b>27,296,175</b>	20,787,616
Trade payables	<b>16,478,805</b>	56,070,444
Taxes payable	<b>13,963,002</b>	5,997,323
Accrued expenses		
Taxes and licenses	<b>6,255,719</b>	6,255,103
Professional fees	<b>5,003,789</b>	9,947,611
Interest expense	<b>1,583,467</b>	23,467
Others	<b>784,551</b>	524,225
Deferred output VAT	<b>8,098,669</b>	5,635,826
Others	<b>156,082,029</b>	133,547,795
	<b>₱386,675,655</b>	₱381,698,429

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. The advances are noninterest-bearing and are settled within one year. As of May 2, 2023, no shares have been issued in relation to the deposit for future stock subscription.

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 represent the unpaid subcontracted services and other cost of services to third parties. These are noninterest-bearing and are normally settled within one year.

In 2022, 2021, and 2020, the Group recognized ₱39.24 million, ₱19.35 million and ₱36.01 million reversals of long-outstanding payables in relation to AOC's ceased operation which are assessed by management to be no longer valid.

Taxes payable include output VAT after application of available input VAT and expanded withholding tax on payment to suppliers and employees' compensation which are settled within one year.

Accrued expenses mainly consist of accruals for seminars and training, supplies, inventories, interest, professional fees, salaries and wages, taxes and licenses, 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.

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 and other provisions for probable losses (see Note 30). These are noninterest-bearing and are normally settled within one year.

The table below shows the movements in the provision relating to the PSA:

	2022	2021
Balance at beginning of year	<b>₱133,225,859</b>	₱129,675,146
Cost incurred for platform development	—	(1,320,000)
Translation adjustments	<b>20,763,093</b>	4,870,713
Balance at end of year	<b>₱153,988,952</b>	₱133,225,859

### 13. Loans Payable

This account pertains to unsecured and interest bearing 30 to 1,050 day term loans entered into by the Group with different local banks and non-banks, with interest rates of 6.75% to 12% in 2022 and 2021.

The rollforward analysis of this account follow:

	2022	2021
Balance at beginning of year	<b>₱38,793,070</b>	₱41,710,283
Payment of loans	<b>(408,654)</b>	(2,917,213)
Balance at end of year	<b>38,384,416</b>	38,793,070
Noncurrent loans payable	<b>4,563,787</b>	9,066,663
	<b>₱33,820,629</b>	₱29,726,407

Noncurrent loans payable pertains to the portion of the loans which are payable in 2024. Interest expense recognized in the consolidated statements of comprehensive income amounted to ₱1.79 million, ₱1.73 million and ₱3.18 million in 2022, 2021 and 2020, respectively (see Note 17).

Undrawn loan commitments amounted to ₱16.38 million as of December 31, 2022. There was no loan facility as of December 31, 2022.

There were no transaction costs and interest expense capitalized in 2022 and 2021.

### 14. Service Income and Sale of Goods

Service income, amounting to ₱227.32 million, ₱185.39 million and ₱121.36 million in 2022, 2021 and 2020, respectively, pertain to revenues earned from mobile consumer products and services, enterprise services and knowledge process outsourcing 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 sale of goods amounted to nil, ₱24.64 million and ₱52.65 million in 2022, 2021 and 2020, respectively. Revenues are recognized at a point in time for the sale of goods.

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 are presented below:

	2022	2021	2020
Service income			
Mobile consumer services	<b>₱15,679,509</b>	₱40,546,742	₱21,999,969
Enterprise services	<b>167,813,744</b>	117,575,756	88,238,485
Other services	<b>43,826,780</b>	27,269,661	11,122,938
	<b>227,320,033</b>	185,392,159	121,361,392
Sale of goods	—	24,638,512	52,647,630
	<b>₱227,320,033</b>	<b>₱210,030,671</b>	<b>₱174,009,022</b>

## 15. Cost of Services

Cost of services consists of the following:

	2022	2021	2020
Salaries, wages and employee benefits	<b>₱113,144,533</b>	₱91,270,033	₱70,498,778
Outside services	<b>29,182,508</b>	16,669,479	5,373,667
Outsourced services	<b>16,245,812</b>	35,474,015	19,246,698
Depreciation and amortization (Notes 10 and 11)	<b>6,148,337</b>	7,407,967	22,728,782
Web hosting	<b>2,850,303</b>	2,981,500	2,832,968
Consultancy fees	<b>844,074</b>	1,531,663	2,089,715
Commissions	<b>364,473</b>	568,364	101,456
Utilities	<b>101,372</b>	118,360	175,976
Rent (Note 18)	—	932,985	871,661
Segment fee and network costs	—	53,571	356,895
Miscellaneous	<b>910,555</b>	1,867,593	2,913,181
	<b>₱169,791,967</b>	<b>₱158,875,530</b>	<b>₱127,189,777</b>

Miscellaneous cost of services includes membership fees and other costs.

## 16. General and Administrative Expenses

General and administrative expense consists of:

	2022	2021	2020
Provision for impairment losses (Notes 5, 8, 9 and 11)	<b>₱49,015,997</b>	₱2,631,821	₱16,033,171
Salaries, wages and employee benefits	<b>44,558,739</b>	31,461,844	39,616,735
Professional fees	<b>14,174,057</b>	15,783,739	24,061,793
Marketing and promotions	<b>7,160,453</b>	4,574,361	3,200,648

*Forward*





	2022	2021	2020
Outsourced services	<b>₱5,964,038</b>	₱1,030,054	₱603,694
Depreciation and amortization (Notes 10 and 18)	<b>4,246,758</b>	3,222,988	6,841,714
Taxes and licenses	<b>2,944,346</b>	2,527,716	4,434,493
Dues and subscriptions	<b>2,427,628</b>	1,175,300	915,623
Directors' fees (Note 19)	<b>1,880,000</b>	1,465,000	2,670,000
Transportation and travels	<b>1,797,887</b>	3,294,994	2,691,623
Utilities	<b>1,076,026</b>	1,056,934	1,560,652
Entertainment, amusement and recreation	<b>854,412</b>	453,794	447,935
Advertising	<b>572,117</b>	250,431	331,422
Seminars and trainings	<b>531,443</b>	268,459	324,815
Rent (Note 18)	<b>299,725</b>	471,135	3,737,651
Supplies	<b>209,413</b>	293,226	343,581
Repairs and maintenance	<b>73,450</b>	377,500	246,998
Insurance	<b>72,657</b>	431,765	650,491
Loss on write-off	<b>1,158,291</b>	8,381,571	—
Miscellaneous	<b>11,884,228</b>	6,094,054	11,136,016
	<b>₱150,901,665</b>	₱85,246,686	₱119,849,055

Miscellaneous expense includes penalties, notarial and other costs.

## 17. Finance Costs and Other Income (Charges)

Finance costs - net consist of:

	2022	2021	2020
Interest expense on loans payable (Notes 13 and 19)	<b>₱9,633,615</b>	₱9,143,361	₱10,582,571
Accretion of interest on lease liabilities (Note 18)	<b>23,104</b>	45,976	45,621
Interest income (Note 4)	<b>(457,002)</b>	(43,725)	(646,644)
	<b>₱9,199,717</b>	₱9,145,612	₱9,981,548

Other income (charges) consist of:

	2022	2021	2020
Gain from derecognition of long-outstanding payables (Note 12)	<b>₱40,906,152</b>	₱19,353,927	₱36,011,082
Gain (loss) on retirement and disposal of property and equipment and derecognition of right-of-use asset and lease liabilities (Notes 10 and 18)	<b>54,931</b>	267,358	(1,168,543)
Foreign exchange gain (loss)	<b>(7,453,775)</b>	(4,878,329)	2,999,629
Bank charges	<b>(520,593)</b>	(461,735)	(509,085)
Unrealized gain (loss) on revaluation of cryptocurrencies (Note 11)	<b>(37,292)</b>	—	555,709
Penalties earned from late payments of customers	—	—	4,489,427
Gain on sale of subsidiary (Note 23)	—	—	3,337,327
Other income	<b>2,246,979</b>	14,088,218	9,511,637
	<b>₱35,196,402</b>	₱28,369,439	₱55,227,183



Other income pertains to gain on debt restructuring, gain on curtailment, commission and other miscellaneous income.

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## 18. Lease Commitments

### *Group as Lessee*

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.

- a. In March 2021, the Parent Company entered into a non-cancellable lease contract with Milestone Petroleum Marketing Corporation for the lease of an office unit in Antel Corporate Center for a period of two (2) years which commenced on March 1, 2021 and expires on February 28, 2023. The applicable rate per month is ₱0.09 million. The lease contract may be renewed upon the terms and conditions mutually agreed by both parties with an escalation rate of 4.00% per year.
- b. The Parent Company has noncancellable lease contract with Gervel, Inc. for the 7th floor office space which terminated on March 31, 2020. The applicable rate per month is ₱0.27 million.

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.

- c. In 2017, the Parent Company entered into a non-cancellable lease contract with Gervel, Inc. for the 6th floor office lease contract with All Estate Realty Brokerage Inc. for office space which expired on April 15, 2020. Monthly rent applicable on the first year amounted to ₱0.05 million per month with 10% annual escalation rate on the second year.
- d. In 2017, Seer entered into finance lease agreements with BPI Leasing Corporation for the use of IT equipment with a lease term of three (3) to five (5) years. Effective monthly interest rates range from 0.90% to 1.42% in 2018 and 0.83% to 1.12% in 2017. In 2019, Seer has recognized right-of-use asset and lease liability as a result of the PFRS 16 adoption using a discount rate of 10.75% with residual value amounting to ₱0.31 million. In January 2020, the contract of lease was terminated and not renewed. The residual value was derecognized which resulted to a loss amounting to ₱0.31 million recognized in 2020 under “Other income (charges)” in the consolidated statement of comprehensive income (see Note 17).
- e. In 2019, AOC entered into a noncancellable lease agreement with Singapore Service Residence Pte Ltd for a period of two (2) years from August 1, 2019 to July 21, 2021 with an applicable rental rate per month of SG\$4,000. On July 31, 2020, AOC pre-terminated its contract of lease which resulted to a loss on derecognition of right-of-use asset and lease liabilities amounting to ₱1.09 million recognized under “Other income (charges)” in the consolidated statement of comprehensive income (see Note 17).



Rollforward of right-of-use assets is as follows:

	2022	2021
<b>Cost</b>		
Balance at beginning of year	<b>₱2,014,185</b>	₱8,901,896
Addition	—	2,014,185
Termination of lease contract and derecognition of right-of-use asset	<b>₱—</b>	(₱8,901,896)
Balance at end of year	<b>2,014,185</b>	2,014,185
<b>Accumulated Depreciation</b>		
Balance at beginning of year	<b>839,244</b>	8,901,896
Depreciation	<b>1,007,093</b>	839,244
Termination of lease contract and derecognition of right-of-use asset	—	(8,901,896)
Balance at end of year	<b>1,846,337</b>	839,244
Net Book Value	<b>₱167,848</b>	₱1,174,941

The rollforward analysis of lease liabilities as of December 31, 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	<b>₱1,192,005</b>	₱—
Addition	—	2,014,185
Accretion of interest (Note 17)	<b>23,104</b>	45,976
Payments	<b>(1,041,787)</b>	(868,156)
Balance at end of year	<b>₱173,322</b>	₱1,192,005
Current lease liabilities	<b>₱173,322</b>	₱1,019,202
Noncurrent lease liabilities	<b>₱—</b>	₱172,803

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2022	2021	2020
Depreciation expense of right-of-use assets (Note 16)	<b>₱1,007,093</b>	₱839,244	1,718,755
Accretion of interest expense on lease liabilities (Note 17)	<b>23,104</b>	45,976	45,621
Loss on derecognition of right-of-use asset and lease liabilities	—	—	1,123,987
Rent expense on short-term leases charged under:			
Cost of services (Note 15)	—	932,985	871,661
General and administrative expenses (Note 16)	<b>245,725</b>	471,135	3,737,651
	<b>₱1,275,922</b>	₱2,289,340	7,497,651

## 19. 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. Except as otherwise indicated, these accounts are noninterest-bearing, generally unsecured and 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.

*Material related party transactions (“RPT”)*

This refers to any related party transaction, either individually, or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group’s total assets. All material related party transactions are subject to the review by the RPT Committee.

In the event wherein there are changes in the RPT classification from non-material to material, the material RPT shall be subject to the provisions of the related party transactions policy.

Details of transactions with related parties and their outstanding payables to a related party as at December 31, 2022 and 2021 follow:

	Terms	Conditions	Amount/Volume		Outstanding Balance			
			2022	2021	2022		2021	
					Receivable	Payable	Receivable	Payable
<b>Associates</b>								
Advances (a, b)	Noninterest-bearing	Unsecured, with impairment	<b>₱542,858</b>	₱514,149	<b>₱11,965,188</b>	<b>₱–</b>	₱11,400,996	<b>₱–</b>
<b>Stockholders</b>								
Interest (a, b)	Noninterest-bearing	Unsecured	<b>7,848,181</b>	7,414,936	–	<b>27,071,226</b>	–	19,223,045
Payable to directors and officers (a-b)	Interest-bearing	Unsecured	–	–	–	<b>152,353,662</b>	–	143,563,235
Payable to directors and officers (c-d)	Noninterest-bearing	Unsecured	<b>1,880,000</b>	1,465,000	–	–	–	1,318,500
	One year, noninterest-bearing	Unsecured	<b>77,000</b>	–	<b>77,000</b>	<b>117,678</b>	–	117,678
<b>Advances (g)</b>								
<b>Affiliates</b>								
Receivable (a)	Noninterest-bearing	Unsecured, no impairment	<b>7,385,850</b>	9,490,586	<b>9,382,329</b>	–	5,864,116	–
Advances (b)	Noninterest-bearing	Unsecured	<b>86,920</b>	726,890	–	<b>107,271</b>	–	128,393
					<b>₱21,424,517</b>	<b>₱179,649,837</b>	<b>₱17,265,112</b>	<b>₱164,350,851</b>

**Associates:**

- 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 of December 31, 2022, and 2021, receivable from Altitude Games amounted to ₱5.26 million. The Parent Company recognized allowance for impairment loss amounting to ₱2.63 million as of December 31, 2022 and 2021 (see Note 5).
- The Parent Company made payments on behalf of SDI for its outsourced services. Outstanding balance amounted to ₱6.71 million and ₱6.14 million as of December 31, 2022 and 2021, respectively. The Parent Company recognized allowance for impairment loss amounting to ₱3.12 million and ₱2.86 million as of December 31, 2022 and 2021, respectively (see Note 5).

**Stockholders:**

- 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. In 2022, 2021 and 2020, the Group recognized interest expense amounting to



₱5.14 million, ₱4.71 million and ₱4.59 million, respectively, under “Finance Cost and Other income (charges)” in its consolidated statements of comprehensive income (see Note 17). As at December 31, 2022 and 2021, outstanding loans and interest payable amounted to ₱103.05 million and ₱19.11 million, respectively, and ₱94.26 million and ₱13.97 million, respectively.

- b. On April 29, 2019, the Parent Company entered into a loan agreement with its directors 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. In 2022 and 2021, the Group recognized interest expense amounting to ₱2.70 million under “Finance Cost and Other income (charges)” in its consolidated statements of comprehensive income (see Note 17).

As at December 31, 2022 and 2021, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱7.96 million, respectively, and ₱49.30 million and ₱5.25 million, respectively.

- c. Payable to directors and officers also pertain to directors’ fees amounting to ₱1.88 million, and ₱1.47 million in 2022 and 2021, respectively (see Note 16). Outstanding payable amounted to nil and ₱1.32 million as at December 31, 2022 and 2021, respectively.
- d. 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 December 31, 2022 and 2021 amounted to ₱0.12 million.

**Affiliates:**

- a. The Group entered into an agreement with CTX wherein the Group agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. In relation to this, outstanding trade receivable and total service income recognized as at and for the years ended December 31, 2022 and 2021 amounted to ₱2.75 million and ₱2.45 million, respectively, and ₱2.29 million and ₱1.82 million, respectively.
- b. The Group entered into service agreement with CTX to provide staff augmentation services. The Group’s outstanding receivable and revenue from these services as at and for the years ended December 31, 2022 and 2021 amounted to ₱6.64 million and ₱4.94 million, respectively, and ₱7.20 million and ₱4.04 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 December 31, 2022 and 2021 amounted to ₱0.11 million and ₱0.73 million, respectively.

**Key management compensation**

Compensation of key management personnel amounted to ₱25.19 million, ₱16.80 million and ₱18.66 million in 2022, 2021 and 2020, respectively.

Compensation of key management personnel by benefit type follows:

	2022	2021	2020
Short-term employee benefits	<b>₱23,559,431</b>	₱13,830,358	₱17,148,373
Post-employment benefits	<b>1,625,909</b>	2,969,622	1,511,747
	<b>₱25,185,340</b>	₱16,799,980	₱18,660,120



## 20. Loss Per Share

The Group's loss per share for the years ended December 31, 2022, 2021 and 2020 were computed as follow:

	2022	2021	2020
Net loss attributable to the equity holders of the Parent Company	<b>(P52,315,615)</b>	(P8,741,043)	(P59,080,505)
Weighted average number of outstanding shares	<b>2,013,768,235</b>	1,872,796,877	1,872,253,954
Basic loss per share	<b>(P0.03)</b>	(P0.01)	(P0.03)
Diluted loss per share	<b>(P0.03)</b>	(P0.01)	(P0.03)

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. In 2022, 2021 and 2020, there were no potentially dilutive common shares.

## 21. Income Taxes

Provision for (benefit from) income tax for the years ended December 31, 2022, 2021 and 2020 consists of the following:

	2022	2021	2020
Deferred	<b>(P6,265)</b>	(P2,765,285)	(P8,401,307)
Current	<b>4,157,372</b>	(201,889)	3,554,509
Final	<b>90,141</b>	7,476	123,417
	<b>P4,241,248</b>	(P2,959,698)	(P4,723,381)

The components of the Group's net deferred tax liabilities are as follows:

	2022	2021
Deferred tax assets on:		
Pension liability	<b>P—</b>	P2,769,551
Right of use assets	<b>294,678</b>	293,735
Net unrealized loss on financial assets at FVOCI	—	25,000
	<b>294,678</b>	3,088,286
Deferred tax liabilities on:		
Remeasurement gain on retirement plan	—	2,769,551
Lease liabilities	<b>298,001</b>	298,001
Unrealized gain on financial assets at FVOCI	—	25,000
	<b>298,001</b>	3,092,552
Net deferred tax liabilities	<b>(P3,323)</b>	(P4,266)



Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. Below are the Group's deductible temporary differences for which no deferred tax assets are recognized since management believes that there are no sufficient taxable profits against which the deferred tax assets can be utilized:

	2022	2021
NOLCO	<b>₱597,552,176</b>	₱630,650,675
Accrued expenses	<b>109,562,923</b>	108,009,189
Allowance for impairment losses	<b>38,755,732</b>	24,787,304
Pension liability	<b>20,592,508</b>	21,325,225
MCIT	<b>3,583,928</b>	5,171,013
Unrealized foreign exchange loss	<b>36,381</b>	9,726
Net lease liability	—	17,063
	<b>₱770,083,648</b>	₱789,970,195

Below are the remaining amounts of deductible temporary differences related to items recorded under other comprehensive income for which no deferred tax assets are recognized:

	2022	2021
Net unrealized loss on financial assets as FVOCI	<b>₱43,494,956</b>	₱44,094,956
Remeasurement loss on defined benefit plan	<b>8,251,009</b>	2,908,954
	<b>₱51,745,965</b>	₱47,003,910

#### Bayanihan to Recover as One Act

Republic Act No. 11494 or the Bayanihan to Recover as One Act was signed into law on September 11, 2020. Pursuant to Revenue Regulations No. 25-2020 implementing relevant provisions of the Bayanihan to Recover as One Act relative to NOLCO, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of the Bayanihan to Recover as One Act, provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

The carryforward NOLCO and MCIT of the Parent Company and local subsidiaries that can be claimed as deduction from future taxable income or used as deduction against income tax liabilities follow:

NOLCO:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2019	₱204,926,341	₱—	₱—	₱204,926,341	₱—	2022
2020	22,747,459	—	—	—	22,747,459	2025
2021	53,036,263	—	—	—	53,036,263	2026
2022	—	36,270,244	—	—	36,270,244	2027
	<b>₱280,710,063</b>	<b>₱36,270,244</b>	<b>₱—</b>	<b>₱204,926,341</b>	<b>₱112,053,966</b>	

Subject to qualifying conditions, NOLCO of foreign subsidiaries which can be carried forward indefinitely amounted to ₱485.50 million and ₱349.94 million in 2022 and 2021, respectively.



MCIT:

Year Incurred	Beginning	Additions	Applied	Expired	End	Year of Expiration
2019	₱1,186,713	₱—	₱—	₱1,186,713	₱—	2022
2020	3,626,624	—	400,389	—	3,226,235	2023
2021	357,693	—	—	—	357,693	2024
2022	—	—	—	—	—	2025
	<b>₱5,171,030</b>	<b>₱—</b>	<b>₱400,389</b>	<b>₱1,186,713</b>	<b>₱3,583,928</b>	

The reconciliation between the statutory and effective income tax rates for the years ended December 31, 2022, 2021 and 2020 follows:

	2022	2021	2020
Statutory income tax rate	<b>(₱17,905,831)</b>	(₱7,279,858)	(₱22,062,192)
Adjustments resulting from:			
Changes in unrecognized deferred tax assets	<b>18,772,104</b>	4,530,372	14,181,663
Nondeductible expenses	<b>3,109,238</b>	2,824,983	1,929,225
Expired MCIT	<b>786,324</b>	634,747	514,249
Nondeductible loss from investments in associates	<b>1,070,926</b>	80,187	2,324,113
Interest income subjected to final tax	<b>(22,409)</b>	(1,722)	(70,475)
Effect of lower income tax rate of subsidiaries	<b>(1,095,016)</b>	(2,894,382)	11,294
Deductible rental expense	—	4,266	—
CREATE impact	—	(858,291)	—
Nontaxable income	—	—	(1,551,258)
Provision for (benefit from) income tax	<b>₱4,715,336</b>	(₱2,959,698)	(₱4,723,381)

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT, 2% MCIT) for financial reporting purposes.





Applying the provisions of the CREATE Act, the Group would have been subjected to lower minimum corporate income tax rate of 1% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 05-2021 dated April 08, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020, and higher creditable withholding taxes as of December 31, 2020 by ₱0.87 million. The effect of CREATE was reflected in the Parent Company and local subsidiaries' 2020 annual income tax return. However, for financial reporting purposes, these changes are recognized in the 2021 financial statements in accordance with PIC Q&A 2020-07.
- There is no impact in the recognized provision since no deferred tax assets were recognized in excess of the recognized deferred tax liabilities as of December 31, 2020.

## 22. Retirement and Other Long-term Employee Benefits

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate and salary increase rate were based on historical and projected rates. Annual cost is determined using the projected unit credit actuarial valuation method.

The components of net pension expense (income) in the consolidated statements of comprehensive income are as follows:

	2022	2021	2020
Current service cost	<b>₱3,235,048</b>	₱3,974,910	₱2,314,166
Net interest cost on benefit obligation	<b>1,147,255</b>	1,069,673	1,371,430
Past service cost – curtailment	–	–	(1,373)
	<b>₱4,382,303</b>	₱5,044,583	₱3,684,223

The Group recognized pension expense amounting to ₱4.38 million, ₱5.04 million and ₱3.69 million included in “Salaries, wages and employee benefits” under “General and administrative expenses” in the consolidated statements of comprehensive income in 2022, 2021 and 2020, respectively.

As of December 31, 2022 and 2021, pension liabilities amounted to ₱21.31 million and ₱22.83 million, respectively.

The following table presents the changes in the present value of defined benefit obligation:

	2022	2021
Balance at beginning of year	<b>₱22,834,498</b>	₱26,816,555
Current service cost	<b>3,235,048</b>	3,974,910
Interest cost on benefit obligation	<b>1,147,255</b>	1,069,673
Net actuarial gains	<b>(5,562,396)</b>	(9,026,640)
Derecognition of defined benefit obligation	<b>(341,180)</b>	–
	<b>₱21,313,225</b>	₱22,834,498



The derecognition of the defined benefit obligation mainly due to suspension of Storm's operation of its online platform.

The Group does not currently employ any asset-liability matching.

Remeasurement gain on defined benefit plan under consolidated statements of comprehensive income follow:

	2022	2021	2020
Actuarial gain on defined benefit obligation	<b>₱5,562,396</b>	₱9,026,640	₱1,691,440
Tax effect relating to actuarial gain	—	(2,769,551)	(1,449,571)
	<b>₱5,562,396</b>	<b>₱6,257,089</b>	<b>₱241,869</b>

Actuarial loss on defined benefit pension plan recorded under "Remeasurement gain (loss) on defined benefit plan" in the consolidated statements of changes in equity follow:

	2022	2021	2020
Balance at beginning of year	<b>(₱5,157,031)</b>	₱1,100,058	₱1,341,927
Actuarial loss (gain) on defined benefit obligation	<b>(5,562,396)</b>	(9,026,640)	(1,691,440)
Tax effect relating to actuarial gain	—	2,769,551	1,449,571
Derecognition of defined benefit plan	<b>(420,346)</b>	—	—
	<b>(₱11,139,773)</b>	<b>(₱5,157,031)</b>	<b>₱1,100,058</b>
Attributable to:			
Equity holders of Xurpas Inc.	<b>(₱8,689,301)</b>	(₱2,911,226)	₱3,335,931
Noncontrolling interests	<b>(2,450,471)</b>	(2,245,805)	(2,235,873)
	<b>(₱11,139,772)</b>	<b>(₱5,157,031)</b>	<b>₱1,100,058</b>

The assumptions used to determine pension benefits of the Group are as follows:

	2022	2021	2020
Discount rate	<b>7.33% - 7.39%</b>	4.65% - 5.21%	3.03% - 4.20%
Salary projection rate	<b>5.00%</b>	3.00% - 5.00%	3.00% - 5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		(Decrease) increase on DBO	
		2022	2021
Discount rate	(+) 1.0%	<b>(₱2,367,727)</b>	(₱2,890,267)
	(-) 1.0%	<b>2,849,469</b>	3,512,105
Salary increase rate	(+) 1.0%	<b>2,889,201</b>	3,482,390
	(-) 1.0%	<b>(2,436,976)</b>	(2,920,220)

The weighted average duration of defined benefit obligation at the end of the reporting period is 11.20 to 18.90 years and 5.80 to 19.70 years in 2022 and 2021, respectively.



Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2022 and 2021:

	2022	2021
Within 1 year	<b>₱2,108,219</b>	₱1,968,841
More than 1 year to 5 years	<b>5,513,142</b>	5,229,196
More than 5 years to 10 years	<b>6,980,581</b>	6,791,026
	<b>₱14,601,942</b>	₱13,989,063

## 23. Acquisition of Noncontrolling Interests

### Increase in Noncontrolling Interests

#### Allcare Technologies, Inc.

In 2020, Allcare issued an aggregate of 134,800 shares to its stockholders for a total consideration of ₱11.00 million bringing Storm's ownership over Allcare from 83.84% to 71.62%. This transaction did not result in a loss of Group's control over Allcare.

## 24. Deconsolidated Subsidiary

### CTX Technologies Inc.

On March 30, 2020, the Parent Company and the other stockholder of CTX, entered into a Deed of Absolute Sale for the sale of 8,000,000 shares equivalent to 80% interest in CTX for a total amount of ₱4.00 million. On September 30, 2020, the same parties entered into another Deed of Absolute Sale for the sale of the remaining 1,999,995 shares for a total amount of ₱1.27 million. The purchase price totaling to ₱5.27 million was offset against Parent Company's payable to the same stockholder.

Total gain on disposal of CTX recognized in 2020 presented under "Other income (charges)" in the consolidated statement of comprehensive income amounted to ₱3.34 million (see Note 17) computed as follows:

<b>Assets</b>	
Cash	₱1,088,427
Other current assets	962,997
	<b>2,051,424</b>
<b>Liabilities</b>	
Accounts and other payables	123,521
Net assets attributable to Xurpas (100% owned)	1,927,903
Proceeds from sale	(5,265,230)
Gain on sale	<b>(₱3,337,327)</b>

Cash outflow related to the disposal follows:

Cash proceeds from sale	₱-
Cash balance of CTX	1,088,427
Net cash outflow	<b>(₱1,088,427)</b>



## 25. Capital Deficiency

The details of the Parent Company's capital stock follow:

	2022	2021
Authorized shares	5,000,000,000	5,000,000,000
Par value per share	₱0.10	₱0.10
Issued shares	2,116,744,034	1,934,925,852
Treasury shares	62,128,975	62,128,975
Outstanding shares	2,054,615,059	1,872,796,877
Value of shares issued	₱211,674,403	₱193,492,585
Value of treasury shares	(₱99,700,819)	(₱99,700,819)

The details of the Parent Company's common shares follow:

	2022	2021
Outstanding shares		
At beginning of year	1,872,796,877	1,872,796,877
Subscribed and issued	181,818,182	—
At end of year	2,054,615,059	1,872,796,877

In accordance with Revised Securities Regulation Code Rule 68, Annex 68-K, below is the summary of the Parent Company's track record of registration of securities as of December 31:

				2022	2021
	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	344,000,000	₱3.97 issue price	November 13, 2014	28	26

The balance of additional paid-in capital (APIC) as of December 31, 2022 and 2021 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. Nollado, a founder, 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 December 31, 2022 and 2021.

#### Dividends declaration

The Parent Company has no dividend declarations made in 2022, 2021 and 2020.

Deficit includes accumulated equity in the net losses of subsidiaries and associates amounting to ₱715.65 million and ₱452.95 million as of December 31, 2022 and 2021, respectively.

### 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 no change 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 January 1, 2018, the Parent Company has 63,985,642 treasury shares with cost amounting to ₱115.06 million which pertains to acquisition of shares made in 2017.

On April 8, 2019, the Parent Company reissued 415,000 treasury shares with a cost of ₱3.81 million for a price of ₱1.23 per share.

On July 14, 2019, the Parent Company reissued 475,000 treasury shares with a cost of ₱4.23 million for a price of ₱1.16 per share.

On July 23, 2020, the Parent Company reissued 966,667 treasury shares with a cost of ₱7.72 million for a price of ₱0.57 per share.

As of December 31, 2022 and 2021, 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 December 31, 2022, the Plan has been on hold for approval of the SEC and PSE.



### Capital Management

The primary objective of the Group's capital management is to improve its credit rating and capital ratios in order to support its business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and status of its operations. 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:

	2022	2021
Capital stock	<b>₱211,674,403</b>	₱193,492,585
Additional paid-in capital	<b>3,659,721,747</b>	3,577,903,565
Deficit	<b>(3,293,137,923)</b>	(3,241,042,649)
	<b>₱578,258,277</b>	₱530,353,501

The Group is subject to certain capital requirement as a listed entity (i.e., delisting after 3 consecutive years of negative total equity). The Group regards its equity as its primary source of capital.

As of December 31, 2022 and 2021, the Group is in capital deficiency position. Refer to Note 1 on the Group's plan to address their capital deficiency. No changes were made in the capital management policies in 2022, 2021 and 2020.

## **26. Subsidiary with Material Noncontrolling Interests**

Noncontrolling interests pertain to the percentage interests in subsidiaries that the Parent Company does not own. The summarized financial information is provided below for the subsidiary with material noncontrolling interest. This information is based on the amounts before intercompany eliminations.

The Parent Company considers a subsidiary with material noncontrolling interests if its net assets exceed 5.00% 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.

As of December 31, 2022 and 2021, financial information of identified subsidiaries with material noncontrolling interests is as follows:

### Storm

	2022	2021
Proportion of equity interests held by noncontrolling interests	<b>48.69%</b>	48.69%
Accumulated balances of noncontrolling interests	<b>(123,375,101)</b>	(101,203,549)
Loss allocated to noncontrolling interests	<b>(22,217,136)</b>	(16,592,935)
Other comprehensive income (loss) allocated to noncontrolling interests	<b>45,585</b>	24,897
Total comprehensive loss allocated to noncontrolling interests	<b>(22,171,551)</b>	(16,568,038)



	2022	2021
<b>Statements of financial position</b>		
Current assets	<b>₱40,762,579</b>	₱41,039,286
Noncurrent assets	<b>1,944,425</b>	16,868,108
Current liabilities	<b>297,694,111</b>	265,418,574
Noncurrent liabilities	<b>4,563,787</b>	9,408,787
Total capital deficiency	<b>(259,550,894)</b>	(216,919,967)
Attributable to:		
Equity holders of Xurpas Inc.	<b>(136,175,793)</b>	(115,716,418)
Noncontrolling interests	<b>(123,375,101)</b>	(101,203,549)
<b>Statements of comprehensive income</b>		
Revenue and other income	<b>₱41,963,946</b>	₱52,381,340
Cost and expenses	<b>84,811,164</b>	73,188,549
Loss before income tax	<b>(42,847,218)</b>	(20,807,209)
Provision for income tax	<b>(6,265)</b>	46,402
Loss from operations	<b>(42,840,953)</b>	(20,853,611)
Other comprehensive (loss) income	<b>93,623</b>	19,804
Total comprehensive loss	<b>(42,747,330)</b>	(20,833,807)
Attributable to:		
Equity holders of Xurpas Inc.	<b>(20,575,779)</b>	(4,265,769)
Noncontrolling interests	<b>(22,171,551)</b>	(16,568,038)
<b>Statements of cash flows</b>		
Net cash used in operating activities	<b>(₱1,464,191)</b>	₱18,741,813
Net cash provided by (used in) investing activities	<b>(236,058)</b>	(210,232)
Net cash (used in) provided by financing activities	<b>—</b>	(11,328,547)
Effect of exchange rate changes	<b>93,623</b>	19,804

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	2022	2021
Proportion of equity interests held by noncontrolling interests	<b>30.00%</b>	30.00%
Accumulated balances of noncontrolling interests	<b>(₱13,495,129)</b>	(₱12,126,015)
Loss allocated to noncontrolling interests	<b>(1,369,114)</b>	(828,805)
Other comprehensive income allocated to noncontrolling interests	<b>—</b>	—
Total comprehensive income (loss) allocated to noncontrolling interests	<b>(1,369,114)</b>	(828,805)
<b>Statements of financial position</b>		
Current assets	<b>₱2,721,746</b>	₱8,921,292
Noncurrent assets	<b>12,062,910</b>	11,685,271
Current liabilities	<b>58,153,895</b>	59,412,092
Noncurrent liabilities	<b>327,000</b>	327,000
Total equity (capital deficiency)	<b>(43,696,239)</b>	(39,132,529)
Attributable to:		
Equity holders of Xurpas Inc.	<b>(30,201,110)</b>	(27,006,513)
Noncontrolling interests	<b>(13,495,129)</b>	(12,126,015)



	2022	2021
<b>Statements of comprehensive income</b>		
Revenue and other income	<b>₱3,967,355</b>	₱5,274,035
Cost and expenses	<b>8,499,874</b>	7,904,866
Income (loss) before income tax	<b>(4,532,519)</b>	(2,630,831)
Provision for (benefit from) income tax	<b>31,193</b>	131,853
Income (loss) from operations	<b>(4,563,712)</b>	(2,762,684)
Other comprehensive income	—	—
Total comprehensive income (loss)	<b>(4,563,712)</b>	(2,762,684)
Attributable to:		
Equity holders of Xurpas Inc.	<b>(3,194,598)</b>	(1,933,879)
Noncontrolling interests	<b>(1,369,114)</b>	(828,805)
<b>Statements of cash flows</b>		
Net cash (used in) provided by operating activities	<b>(₱740,906)</b>	(₱3,374,224)
Net cash provided by (used in) financing activities	<b>(408,654)</b>	1,191,349

## 27. Financial Instruments

### Fair Value Information

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, security deposit 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”), and loans payable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments. The difference between carrying amount and fair value is immaterial.
- Financial assets at FVOCI (quoted equity investments) - 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.
- Advances from stockholders - Fair value is estimated using the discounted cash flow methodology using the applicable risk-free rates for similar types of loans adjusted for credit spread. The discount rate used in 2020 is 2.36%.





The fair values and carrying values of financial assets at FVOCI and advances from stockholders are as follows:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Asset measured at fair value</b>				
<b>Financial asset</b>				
Financial assets at fair value through other comprehensive income	<b>₱1,200,000</b>	<b>₱1,200,000</b>	₱600,000	₱600,000
Cryptocurrencies	<b>13,545,910</b>	<b>13,545,910</b>	33,154,254	33,154,254
<b>Liability for which fair value is disclosed</b>				
<b>Financial liability</b>				
Advances from stockholders	<b>152,353,662</b>	<b>152,353,662</b>	143,147,371	143,147,371

#### Fair Value Hierarchy

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

Quoted financial assets at FVOCI amounting to ₱1.20 million and ₱0.60 million as of December 31, 2022 and 2021, respectively, were classified under Level 2 (see Note 7).

As at December 31, 2022 and 2021, 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, security deposit under other noncurrent assets, accounts and other payables (excluding taxes payable, deferred output VAT, and statutory payables), and loans payable, 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 in 2022 and 2021.

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 in banks, and accounts and other receivables. Credit risk management involves monitoring its exposure to credit risk on a continuous basis.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rate is based on days past due of all customers as they have similar loss patterns. The expected credit loss rate ranges from 0.55% to 41.94% that resulted in the ECL of ₱28.12 million and ₱23.21 million as of December 31, 2022 and 2021, respectively.

The Group's credit risk exposure on its accounts and other receivables using provision matrix is as follows (amounts in millions):

### **December 31, 2022**

	Trade receivables					Total	Receivable from related parties	Other receivables
	Current	< 30 days	30-60 days	61-90 days	> 90 days			
ECL rate	0.55-2.02%	2.36-7.87%	3.73-13.66%	6.35-23.5%	10.04-41.94%		0-50%	0.55-100%
Estimated total gross carrying amount at default	17.30	2.66	14.58	11.50	47.57	93.61	21.42	12.20
ECL	₱0.05	₱0.05	₱0.18	₱0.25	₱14.73	₱15.26	₱6.14	₱11.54

### **December 31, 2021**

	Trade receivables					Total	Receivable from related parties	Other receivables
	Current	< 30 days	30-60 days	61-90 days	> 90 days			
ECL rate	0.44-0.92%	1.45-3.91%	3.17-6.49%	5.75-9.61%	9.98-37.07%		0-50%	0.76-100%
Estimated total gross carrying amount at default	4.52	11.64	4.47	0.20	37.57	58.40	17.27	12.26
ECL	₱0.02	₱0.19	₱0.13	₱0.01	₱10.00	₱10.36	₱5.49	₱7.37

The credit quality of the financial assets was determined as follows:

Cash in banks - 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.

Trade 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.

Receivable from related parties - The credit risk depends primarily on the level of loss absorbing capacity of the counterparty. The Group evaluates if the counterparties are adequately capitalized or the counterparties' latest financial statements show positive results.

### ***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 funding requirements, the Group intends to use internally generated funds. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, negotiate for credit lines and negotiate for longer payment terms for its payables to manage liquidity.



The table summarizes the maturity profile of the Group's financial assets and liabilities and contract assets as at December 31, 2022 and 2021 based on contractual undiscounted payments:

**December 31, 2022**

	<1 year	>1 to <5 years	>5 years	Total
<b>Financial Assets</b>				
Cash	₱63,309,410	₱—	₱—	₱63,309,410
Accounts and other receivables				
Trade receivables – net	78,311,145	—	—	78,311,145
Receivable from related parties - net	15,287,498	—	—	15,287,498
Others	660,616	—	—	660,616
Financial asset at FVOCI	1,200,000	—	—	1,200,000
Other assets				
Refundable deposits	750,288	—	—	750,288
Security deposit	260,447	—	—	260,447
<b>Total undiscounted financial assets</b>	<b>159,779,404</b>	<b>—</b>	<b>—</b>	<b>159,779,404</b>
<b>Contract assets</b>	<b>49,299,568</b>	<b>—</b>	<b>—</b>	<b>49,299,568</b>
<b>Total undiscounted financial assets and contract assets</b>	<b>209,078,972</b>	<b>—</b>	<b>—</b>	<b>209,078,972</b>
<b>Financial Liabilities</b>				
Trade and other payables				
Payable to third parties	88,327,722	—	—	88,327,722
Trade payables	16,478,805	—	—	16,478,805
Accrued expenses	13,627,526	—	—	13,627,526
Payable to related parties	27,296,175	—	—	27,296,175
Other payables	2,093,077	—	—	2,093,077
Advances from stockholders	152,353,662	—	—	152,353,662
Lease liabilities	173,322	—	—	173,322
Loans payable	29,645,782	4,563,787	—	34,209,569
<b>Total undiscounted financial liabilities</b>	<b>329,996,071</b>	<b>4,563,787</b>	<b>—</b>	<b>334,559,858</b>
<b>Liquidity gap</b>	<b>(₱120,197,099)</b>	<b>(₱4,563,787)</b>	<b>₱—</b>	<b>(₱125,480,886)</b>

**December 31, 2021**

	<1 year	>1 to <5 years	>5 years	Total
<b>Financial Assets</b>				
Cash	₱35,951,198	₱—	₱—	₱35,951,198
Accounts and other receivables				
Trade receivables – net	48,048,361	—	—	48,048,361
Receivable from related parties - net	11,780,051	—	—	11,780,051
Others	4,885,582	—	—	4,885,582
Financial asset at FVOCI	600,000	—	—	600,000
Other assets				
Refundable deposits	1,257,774	—	—	1,257,774
Security deposit	—	260,447	—	260,447
<b>Total undiscounted financial assets</b>	<b>102,522,966</b>	<b>260,447</b>	<b>—</b>	<b>102,783,413</b>
<b>Contract assets</b>	<b>29,763,501</b>	<b>—</b>	<b>—</b>	<b>29,763,501</b>
<b>Total undiscounted financial assets and contract assets</b>	<b>132,286,467</b>	<b>260,447</b>	<b>—</b>	<b>132,546,914</b>
<b>Financial Liabilities</b>				
Trade and other payables				
Payable to third parties	88,335,222	—	—	88,335,222
Trade payables	56,070,444	—	—	56,070,444
Accrued expenses	16,750,406	—	—	16,750,406
Payable to related parties	20,787,616	—	—	20,787,616
Other payables	321,935	—	—	321,935
Advances from stockholders	143,563,235	—	—	143,563,235
Lease liabilities	1,041,787	173,631	—	1,215,418
Loans payable	30,534,562	9,066,663	—	39,601,225
<b>Total undiscounted financial liabilities</b>	<b>357,405,207</b>	<b>9,240,294</b>	<b>—</b>	<b>366,645,501</b>
<b>Liquidity gap</b>	<b>(₱283,448,029)</b>	<b>(₱8,979,847)</b>	<b>₱—</b>	<b>(₱234,098,587)</b>



### 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.

The following tables demonstrate the sensitivity of the Group's loss before tax and equity to a reasonably possible change in interest rates in 2022 and 2021, with all other variables held constant:

		Effect on loss before income tax Increase (decrease)	
		2022	2021
Floating rate borrowings	(+) 1.0%	(P163,835)	(P97,337)
	(-) 1.0%	163,835	97,337

### 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 December 31, 2022 and 2021.

	2022		2021	
	Original currency	Peso equivalent	Original currency	Peso equivalent
<b>Cash in bank</b>				
US Dollar (USD)	\$40,671	P2,267,609	\$289,877	P14,780,828
<b>Trade receivables</b>				
US Dollar (USD)	191,894	10,699,072	460,720	23,492,112
Foreign currency denominated assets		12,966,681		38,272,940
<b>Trade Payables</b>				
US Dollar (USD)	29,199	1,628,014	1,123,077	57,265,696
Net foreign currency denominated financial instruments		P11,338,667		(P18,992,756)

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	2022	2021
USD to P	P55.76	P50.99

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-foreign currency exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	2022		2021	
	+P1	-P1	+P1	-P1
USD	P203,366	(P203,366)	(P372,480)	P372,480

There is no other impact on the Group's equity other than those already affecting the net income.



## 28. 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, other various enterprise solutions-based services to telecommunication companies and other companies for network and applications development
- Other services - includes consultancy and other 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 years ended December 31, 2022, 2021 and 2020:

### 2022

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱17,420,580	₱219,754,500	₱43,826,780	(₱53,681,827)	₱227,320,033
Sale of goods	—	—	—	—	—
	17,420,580	219,754,500	43,826,780	(53,681,827)	227,320,033
COST AND EXPENSES	(26,913,151)	(306,122,278)	(84,811,163)	97,152,960	(320,693,632)
Equity in net losses of associates	—	—	—	(4,283,703)	(4,283,703)
Finance cost and other income	42,310,326	(19,214,038)	(1,862,833)	4,800,522	25,996,685
Income (loss) before income tax	32,817,755	(105,619,108)	(42,847,216)	43,987,952	(71,660,617)
Provision for (benefit from) income tax	(138,447)	(4,109,064)	6,265	—	(4,241,248)
Net income (loss)	32,679,308	(109,728,223)	(42,840,951)	43,987,952	(75,901,865)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱52,315,615)
Noncontrolling interests					(₱23,586,250)
					(₱75,901,865)

### 2021

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱40,546,742	₱153,624,511	₱27,269,661	(₱36,048,755)	₱185,392,159
Sale of goods	—	—	24,638,512	—	24,638,512
	40,546,742	153,624,511	51,908,173	(36,048,755)	210,030,671
COST AND EXPENSES	(54,366,823)	(178,164,666)	(73,188,546)	47,636,856	(258,053,179)
Equity in net losses of associates	—	—	—	(320,749)	(320,749)
Finance cost and other income	24,558,276	(5,827,413)	473,165	19,799	19,223,827
Income (loss) before income tax	10,768,195	(30,367,568)	(20,807,210)	11,287,151	(29,119,430)
Provision for (benefit from) income tax	(241,176)	2,758,657	40,135	—	2,959,698
Net income (loss)	11,009,374	(27,608,911)	(20,847,345)	11,287,151	(26,159,732)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱8,741,043)
Noncontrolling interests					(₱17,418,689)
					(₱26,159,732)



## 2020

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
INCOME					
Service income	₱21,999,969	₱249,554,087	₱11,122,938	(₱161,315,602)	₱121,361,392
Sale of goods	—	—	52,647,630	—	52,647,630
	21,999,969	249,554,087	63,770,568	(161,315,602)	174,009,022
COST AND EXPENSES	(44,575,272)	(314,150,018)	(83,324,863)	157,001,898	(285,048,255)
Equity in net losses of associates	—	—	—	(7,747,043)	(7,747,043)
Finance cost and other income	31,230,384	21,738,820	1,199,781	(8,923,350)	45,245,635
Income (loss) before income tax	8,655,081	(42,857,111)	(18,354,514)	(20,984,097)	(73,540,641)
Provision for (benefit from) income tax	(206,171)	2,050,202	384,325	(6,951,737)	(4,723,381)
Net income (loss)	8,861,252	(44,907,313)	(18,738,839)	(14,032,360)	(68,817,260)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱59,080,505)
Noncontrolling interests					(₱9,736,755)
					(₱68,817,260)

The following tables present business segment assets and liabilities as at December 31, 2022, 2021 and 2020:

## 2022

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱208,304,240	₱832,498,834	₱42,707,005	(₱480,850,733)	₱602,659,346
Deferred tax assets	—	—	—	—	—
Total assets	₱208,304,240	₱832,498,834	₱42,707,005	(₱480,850,733)	₱602,659,346
Segment liabilities	₱269,300,881	₱692,651,256	₱302,257,898	(₱630,855,445)	₱633,354,590
Deferred tax liabilities	—	3,323	—	—	3,323
Total liabilities	₱269,300,881	₱692,654,579	₱302,257,898	(₱630,855,445)	₱633,357,913

## 2021

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱174,587,302	₱806,070,932	₱57,907,392	(₱432,622,288)	₱605,943,338
Deferred tax assets	—	—	—	—	—
Total assets	₱174,587,302	₱806,070,932	₱57,907,394	(₱432,622,288)	₱605,943,338
Segment liabilities	₱277,486,900	₱615,398,491	₱274,827,361	(₱553,862,390)	₱613,850,362
Deferred tax liabilities	—	—	—	—	—
Total liabilities	₱277,486,900	₱615,398,491	₱274,827,361	(₱553,862,390)	₱613,850,362

## 2020

	Mobile consumer services	Enterprise services	Other services	Intersegment adjustments	Consolidated
Other information					
Segment assets	₱106,917,961	₱844,652,105	₱53,686,901	(₱388,191,994)	₱617,064,973
Deferred tax assets	—	—	—	—	—
Total assets	₱106,917,961	₱844,652,105	₱53,686,901	(₱388,191,994)	₱617,064,973
Segment liabilities	₱340,002,835	₱525,500,132	₱249,803,449	(₱502,894,119)	₱612,412,297
Deferred tax liabilities	—	—	—	—	—
Total liabilities	₱340,002,835	₱525,500,132	₱249,803,449	(₱502,894,119)	₱612,412,297



## 29. Notes to Consolidated Statements of Cash Flows

Disclosed below is the rollforward of liabilities under financing activities:

	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

	January 1, 2021	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2021
Loans payable	₱41,710,283	(₱2,917,213)	₱–	₱–	₱38,793,070
Lease liabilities	–	(868,156)	2,060,161	–	1,192,005
Advances from stockholders	138,086,776	–	5,476,459	–	143,563,235
Total liabilities from financing activities	₱179,797,059	(₱4,210,921)	₱7,536,620	₱–	₱183,548,310

	January 1, 2020	Cash flows	Non-cash changes	Foreign exchange movement	December 31, 2020
Loans payable	₱52,130,272	(₱10,346,413)	₱–	(₱73,576)	₱41,710,283
Lease liabilities	3,809,525	(2,184,116)	(1,518,358)	(107,051)	–
Advances from stockholders	153,071,966	–	(14,985,190)	–	138,086,776
Total liabilities from financing activities	₱209,011,763	(₱12,530,529)	(₱4,695,439)	(₱180,627)	₱179,797,059

The noncash investing and financing activities of the Group are as follows:

- Unrealized gain on financial assets at FVOCI amounted to ₱600,000 and ₱100,000 in 2022 and 2021, respectively. In 2020, net unrealized loss on financial assets at FVOCI decreased by ₱18,000 respectively as a result of the recognition of deferred tax asset.
- Cumulative translation adjustments recognized under “Investments in associates” amounted to ₱12.00 million, ₱4.01 million and ₱6.27 million in 2022, 2021 and 2020, respectively.
- In 2022 and 2021, proceeds from sale of property and equipment amounted to ₱0.11 million and ₱0.27 million, respectively. In 2020, proceeds from sale of property and equipment to employees offset against salaries payable amounted to ₱0.69 million.
- In 2022, The Parent Company issued 181,818,182 common shares to one of its founders for a total consideration of ₱100.00 million.

## 30. Provisions and Contingencies

The Group is currently involved in assessments for national taxes and the outcome of these assessments is not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these assessments, if any, will not have a material effect on the Group’s financial position and results of operations. The information usually required under PAS 37 is not disclosed on the ground that it may prejudice the outcome of the assessments.



The Group, through ODX, entered into Token Pre-Sale Agreements (“PSA”) with various investors for the sale of ODX tokens. The carrying value of the provision from PSA amounted to ₱153.99 million and ₱133.23 million as of December 31, 2022 and 2021 (see Note 12).

The Group, through ODX, also entered into advisory agreements with various advisors for which the services to be received are to be paid through internally generated tokens and for which the obligation cannot be measured with sufficient reliability.



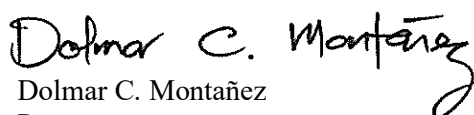


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
Xurpas Inc.  
Unit 804 Antel 2000 Corporate Centre  
121 Valero St., Salcedo Village, Brgy. Bel-Air  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated May 2, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564669, January 3, 2023, Makati City

May 2, 2023

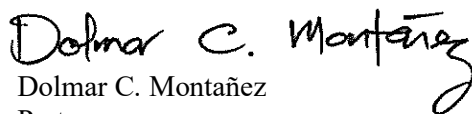


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
Xurpas Inc.  
Unit 804 Antel 2000 Corporate Centre  
121 Valero St., Salcedo Village, Brgy. Bel-Air  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Xurpas Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated May 2, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dolmar C. Montañez

Partner

CPA Certificate No. 112004

Tax Identification No. 925-713-249

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 112004-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-119-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9564669, January 3, 2023, Makati City

May 2, 2023



## **XURPAS INC. AND SUBSIDIARIES**

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### **INDEX TO THE SUPPLEMENTARY SCHEDULES**

- Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration
- Annex B: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered
- Annex C: Supplementary Schedules Required by Annex 68-J

<b>Schedule</b>	<b>Contents</b>
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties
F	Guarantees of Securities of Other Issuers
G	Capital Stock

**SCHEDULE A**

**XURPAS INC. AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS**

Name of issuing entity and association of each issue	Amount shown in the balance sheet	Income received or accrued
<b>Loans and receivables</b>		
Cash and cash equivalent		
Cash on hand	₱879,608	₱—
Cash in banks		
Bank of the Philippine Islands		
Current Account	13,119,627	10,094
Savings Account	524,524	—
US Dollar Account	556,302	1,436
Robinsons Bank		
Savings Account	24,191	—
Security Bank		
Current Account	11,987,568	6,156
Savings Account	—	—
US Dollar Account	1,326,245	—
Unionbank		
Current Account	2,910,025	526
Savings Account	348,468	29,819
US Dollar Account	—	—
China Bank		
Current Account	205,698	958
Savings Account	30,000,000	407,809
US Dollar Account	—	—
Metrobank		
Savings Account	255,148	78
Asia United Bank		
Current Account	25,231	—
Banco De Oro		
Current Account	—	—
Savings Account	589,287	126
US Dollar Account	—	—
CIMB Niaga Bank	148,357	—
CIMB Bank		
US Dollar Account	303,941	—
SG Dollar Account	(31,185)	—
OCBC Bank		
US Dollar Account	42,451	—
SG Dollar Account	24,778	—
Paypal	69,147	—
Cash equivalent		
Time deposit	—	—
Accounts and other receivables		
Trade	93,900,403	—
Receivable from related parties	21,424,517	—
Others	12,200,603	—
	191,553,101	457,002
<b>Financial assets at fair value through other comprehensive income</b>		
Quoted equity investment	1,200,000	—
	1,200,000	—
	₱192,753,101	₱457,002

**SCHEDULE B****XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM  
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND  
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

Name and designation of debtor	Balance at beginning of year	Additions	Amounts collected	Write off	Current	Noncurrent	Balance at the end of the year
Advances to employees	₱1,826,111	₱2,157,714	(₱1,572,750)	₱–	₱2,411,075	₱–	₱2,411,075

## SCHEDULE C

### **XURPAS INC. AND SUBSIDIARIES**

#### **SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

	Amount owed by Xurpas Parent to Xurpas Subsidiaries			
	Receivable balance per Xurpas Parent	Payable balance per Xurpas Subsidiaries	Current	Noncurrent
Storm Technologies Inc.	₱125,380,950	₱125,380,950	₱125,380,950	₱—
Xurpas Enterprise Inc.	187,372,147	187,372,147	187,372,147	—
Seer Technologies Inc.	48,567,407	48,567,407	48,567,407	—
Art of Click Pte. Ltd.	42,308,279	42,308,279	42,308,279	—
ODX Pte. Ltd	8,847,946	8,847,946	8,847,946	—
Xeleb Technologies Inc. and subsidiary	1,928,129	1,928,129	1,928,129	—
<i>Subtotal</i>	₱414,404,858	₱414,404,858	₱414,404,858	₱—

	Amount owed by Xurpas Subsidiaries to Xurpas Parent			
	Receivable balance per Xurpas Subsidiaries	Payable balance per Xurpas Parent	Current	Noncurrent
Xeleb Technologies Inc. and subsidiary	₱78,161,182	₱78,161,182	₱78,161,182	₱—
ODX Pte. Ltd.	53,722,505	53,722,505	53,722,505	—
Xurpas Enterprise Inc.	42,655,088	42,655,088	42,655,088	—
Art of Click Pte. Ltd.	17,510,032	17,510,032	17,510,032	—
<i>Subtotal</i>	₱192,048,807	₱192,048,807	₱192,048,807	₱—

	Amount owed to Xurpas Subsidiary to Xurpas Subsidiary		
Receivable to	Payable from	Current	Noncurrent
Seer Technologies Inc.	Xurpas Enterprise Inc.	₱3,474,056	₱—
Xurpas Enterprise Inc.	Storm Technologies Inc.	743,137	—
Xurpas Enterprise Inc.	Seer Technologies Inc.	1,376,629	—
Storm Technologies Inc.	Xurpas Enterprise Inc.	124,047	—
<i>Subtotal</i>		5,717,869	₱—
Total eliminated receivables		₱612,171,534	₱—

**SCHEDULE D****XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT**

Title of issue and type of obligation	Amount authorized by indenture	<b>Long-term Debt</b>	
		Amount shown under caption “current portion of long-term” in related balance sheet	Amount shown under caption “long-term debt” in related balance sheet
Loans Payable	₱16,000,000	₱7,008,640	₱4,563,787

**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)**

<b>Indebtedness to Related Parties (Long-term Loans from Related Companies)</b>		
<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
<i>The Group does not have long-term loans from related companies in its consolidated statements of financial position.</i>		



**XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF  
OTHER ISSUERS**

<b>Guarantees of Securities of Other Issuers</b>				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
<b>Not Applicable</b>				
<i>The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statements is filed.</i>				

**SCHEDULE G****XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK**

<b>Capital Stock</b>						
Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	2,054,615,059*	—	—	378,626,757	1,675,988,302

*\*Net of treasury shares.*

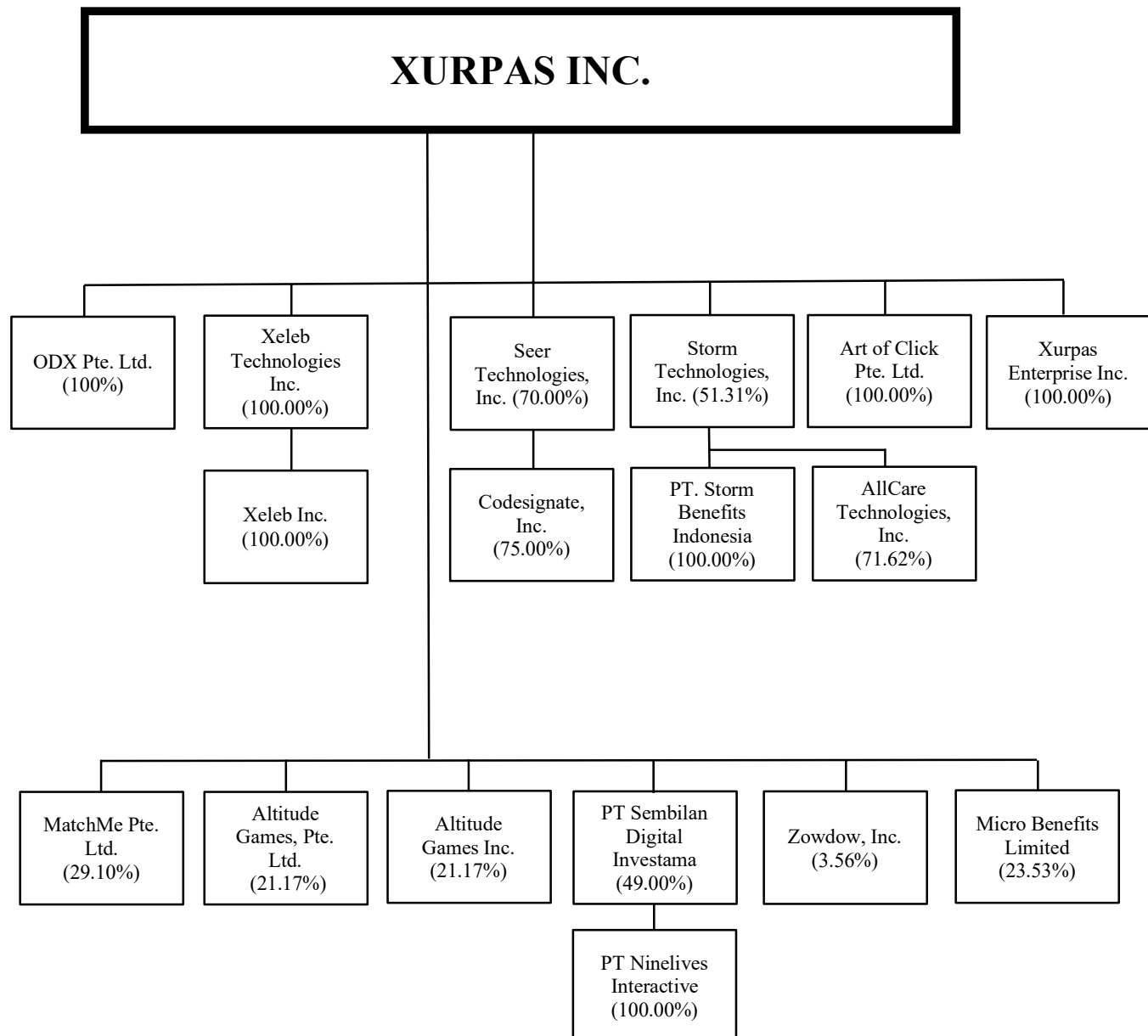
**SCHEDULE H****XURPAS INC. AND SUBSIDIARIES****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDEND DECLARATION**

Unappropriated Retained Earnings of the Parent Company, beginning	(P3,041,379,332)
Less adjustments:	
Unrealized forex exchange gain – net (except those attributable to Cash)	(18,805,198)
Impairment loss	2,551,329,356
Unappropriated Retained Earnings, as adjusted, beginning	(508,855,174)
Net Loss based on the face of Audited Financial Statements	(118,490,241)
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)	14,968,405
Fair value adjustment (M2M gains)	–
Movement of allowance for impairment loss	66,122,446
Net Loss Actual/Realized	(37,399,390)
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 of the Parent Company, end available for dividend distribution	P–

## SCHEDULE I

### XURPAS INC. AND SUBSIDIARIES

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES**



*Note: Xeieb Technologies Inc. and Xeieb Inc. are in the process of liquidation*

**XURPAS INC. AND SUBSIDIARIES**
**SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS**

<b>Ratio</b>	<b>Formula</b>	<b>2022</b>	<b>2021</b>
Current Ratio	Total Current Assets divided by Total Current Liabilities  <div>                         Total Current Assets ₱224,353,642                          Divide by: Total Current Liabilities 607,477,577  <hr/>                         Current Ratio 0.37                     </div>	<b>0.37</b>	0.26
Acid Test Ratio/Quick Ratio	Quick Assets ( <i>Total Current Assets less Inventories and Other Current Assets</i> ) divided by Total Current Liabilities  <div>                         Total Current Assets ₱224,353,642                          Less: Other Current Assets 15,074,330  <hr/>                         Quick Assets 209,279,312                          Divide by: Total Current Liabilities 607,477,577  <hr/>                         Acid Test Ratio 0.34                     </div>	<b>0.34</b>	0.23
Solvency Ratio	Total Assets divided by Total Liabilities  <div>                         Total Assets ₱602,659,345                          Divide by: Total Liabilities 633,357,912  <hr/>                         Solvency Ratio 0.95                     </div>	<b>0.95</b>	0.99
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity Attributable to Parent  <div>                         Total Liabilities ₱633,357,912                          Divide by: Equity Attributable to equity holders of Xurpas Inc. 106,171,672  <hr/>                         Debt-to-Equity Ratio 5.97                     </div>	<b>5.97</b>	5.82
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent  <div>                         Total Assets ₱602,659,345                          Divide by: Equity Attributable to equity holders of Xurpas Inc. 106,171,672  <hr/>                         Asset-to-Equity Ratio 5.68                     </div>	<b>5.68</b>	5.75
Interest Rate Coverage Ratio	Earnings before Interest and Taxes (EBIT)/Interest Charges  <div>                         Income (Loss) before Income Tax (₱71,660,617)                          Add: Interest Expense 9,656,719  <hr/>                         EBIT (62,003,898)                          Divided by: Interest Expense 9,656,719  <hr/>                         Interest Expense Coverage Ratio (6.42)                     </div>	<b>(6.42)</b>	(2.18)
Return on Equity	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Equity ( <i>Total Equity PY + Total Equity CY divided by 2</i> )	<b>(0.49)</b>	(0.08)

Ratio	Formula	2022	2021
	Net Income (Loss) attributable to equity holders of Xurpas Inc. (P52,315,615) <hr/> Total Equity attributable to equity holders of Xurpas Inc. (CY) 106,171,672 Total Equity attributable to equity holders of Xurpas Inc. (PY) 105,423,493 <hr/> Average Total Equity 104,712,511 Return on Equity (0.49)		
Return on Assets	Net Income attributable to equity holders of Xurpas Inc. divided by Average Total Assets ( <i>Total Assets PY + Total Assets CY divided by 2</i> )  Net Income (Loss) attributable to equity holders of Xurpas Inc. (P52,315,615) <hr/> Total Assets (CY) 602,659,345 Total Assets (PY) 605,943,338 <hr/> Average Total Assets 604,301,341 Return on Assets (0.09)	(0.09)	(0.01)
Net Income Margin	Net Income attributable to equity holders of Xurpas Inc. divided by Revenue  Net Income (Loss) attributable to equity holders of Xurpas Inc. (P52,315,615) <hr/> Divided by: Revenue 227,320,033 Net Income Margin Ratio (0.23)	(0.23)	(0.04)
Gross margin ratio	Gross margin divided by Revenue  Revenue P227,320,033 Less: Direct costs 169,791,967 <hr/> Gross margin 57,528,066 Divided by: Revenue 227,320,033 <hr/> Gross Margin Ratio 0.25	0.25	0.18
Operating margin ratio	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) divided by Revenue  Income (Loss) before Income Tax (P71,660,617) Add: Interest Expense 9,656,719 Depreciation and Amortization 10,395,095 <hr/> EBITDA (51,608,803) Divided by: Revenue 227,320,033 <hr/> Operating Margin Ratio (0.23)	(0.23)	(0.04)

## COVER SHEET

SEC Registration Number

A	2	0	0	1	1	7	7	0	8	
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Company Name

X	U	R	P	A	S		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

Principal Office (No./Street/Barangay/City/Town/Province)

U	N	I	T		8	0	4		A	N	T	E	L		2	0	0	0		C	O	R	P	O	R	A	T	E		
C	E	N	T	E	R	,		1	2	1		V	A	L	E	R	O		S	T	.		S	A	L	C	E	D	O	
	V	I	L	L	A	G	E	,		B	R	G	Y	.		B	E	L	-	A	I	R	,		M	A	K	A	T	
I		C	I	T	Y																									

Form Type

1	7	-	Q
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
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## COMPANY INFORMATION

Company's Email Address

<b><u>info@xurpas.com</u></b>
-------------------------------

Company's Telephone Number/s

<b>(02) 8889-6467</b>
-----------------------

Mobile Number

<b>N/A</b>
------------

No. of Stockholders

<b>29</b>
-----------

Annual Meeting  
Month/Day

<b>2<sup>nd</sup> Wednesday of August</b>
---

Fiscal Year  
Month/Day

<b>September 30</b>
---------------------

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

<b>Alexander D. Corpuz</b>
----------------------------

Email Address

<b>mar@xurpas.com</b>
-----------------------

Telephone Number/s

<b>(02) 8889-6467</b>
-----------------------

Mobile Number

<b>N/A</b>
------------

Contact Person's Address

<b>Unit 804 Antel 2000 Corporate Centre, 121 Valero St., Salcedo Village, Brgy. Bel-Air, Makati City</b>
--

**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 September 30, 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

Address of issuer's principal office

1227

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  
Common Shares

Number of Shares of Common Stock Outstanding  
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 September 30, 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 Nine-month Periods Ended September 30, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Changes in Equity  
For the Nine-month Periods Ended September 30, 2023 and 2022

Unaudited Interim Condensed Consolidated Statements of Cash Flows  
For the Nine-month Periods Ended September 30, 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 September 30, 2023 and December 31, 2022 and performance for the nine-month periods ended September 30, 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 nine-month periods ended September 30, 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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Notes 5 and 24)	₱111,503,834	₱63,309,410
Accounts and other receivables (Notes 6 and 24)	77,318,927	96,670,334
Contract assets (Note 7)	25,346,430	49,299,568
Other current assets (Note 9)	31,668,491	15,074,330
Total Current Assets	245,837,682	224,353,642
<b>Noncurrent Assets</b>		
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)	262,713,061	294,969,865
Property and equipment (Note 11)	4,323,862	5,609,743
Intangible assets (Note 12)	74,707,196	62,837,163
Right-of-use asset (Note 19)	1,462,568	167,848
Other noncurrent assets (Note 9)	13,856,625	13,521,084
Total Noncurrent Assets	358,263,312	378,305,703
	₱604,100,994	₱602,659,345
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 13 and 24)	₱393,654,062	₱386,675,655
Advances from stockholders (Note 20)	153,135,857	152,353,662
Loans payable (Notes 14 and 24)	37,236,196	33,820,629
Contract liabilities (Note 7)	54,708,222	34,454,309
Current portion of lease liabilities (Note 19)	1,016,348	173,322
Total Current Liabilities	639,750,685	607,477,577
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Notes 14 and 24)	842,650	4,563,787
Lease liabilities – net of current portion (Note 19)	488,762	–
Deferred tax liabilities – net	–	3,323
Pension liabilities	21,313,225	21,313,225
Total Noncurrent Liabilities	22,644,637	25,880,335
Total Liabilities	662,395,322	633,357,912
<b>Capital Deficiency</b>		
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)	(3,315,837,244)	(3,293,137,923)
Net unrealized loss on financial assets at FVOCI (Note 8)	(43,494,956)	(43,494,956)
Cumulative translation adjustment	18,626,469	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	14,818,728	7,816,043
Treasury stock (Note 22)	(99,700,819)	(99,700,819)
	90,634,729	106,171,672
Noncontrolling interests	(148,929,057)	(136,870,239)
Total Capital Deficiency	(58,294,328)	(30,698,567)
	₱604,100,994	₱602,659,345

See accompanying Notes to Interim Condensed Consolidated Financial Statements

**XURPAS INC. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
<b>SERVICE INCOME</b> (Note 15)	<b>₱148,198,025</b>	₱174,487,116	<b>₱46,323,522</b>	₱50,535,142
<b>COST OF SERVICES</b> (Note 16)	<b>(108,127,365)</b>	(119,023,676)	<b>(36,747,090)</b>	(38,960,879)
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 17)	<b>(103,169,853)</b>	(61,425,426)	<b>(29,542,871)</b>	(22,994,743)
<b>EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES</b> (Note 10)	<b>(11,635,581)</b>	5,887,087	<b>(3,656,837)</b>	3,843,725
<b>FINANCE COSTS – NET</b> (Note 18)	<b>(1,983,497)</b>	(5,690,031)	<b>(674,615)</b>	(1,878,993)
<b>OTHER INCOME (CHARGES) – NET</b> (Note 18)	<b>43,149,735</b>	(446,280)	<b>(1,187,001)</b>	(86,614)
<b>LOSS BEFORE INCOME TAX</b>	<b>(33,568,536)</b>	(6,211,210)	<b>(25,484,892)</b>	(9,542,362)
<b>PROVISION FOR INCOME TAX</b> (Note 21)	<b>1,214,940</b>	5,806,663	<b>(536,121)</b>	1,964,540
<b>NET LOSS</b>	<b>(34,783,476)</b>	(12,017,873)	<b>(24,948,771)</b>	(11,506,902)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>				
Cumulative translation adjustment	<b>159,693</b>	(40,973,184)	<b>(8,095,723)</b>	(20,322,679)
<i>Item that may not be reclassified to profit or loss in subsequent periods:</i>				
Revaluation surplus (Note 12)	<b>7,028,022</b>	(18,096,103)	<b>(1,858,294)</b>	2,040,405
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱27,595,761)</b>	(₱71,087,160)	<b>(₱34,902,788)</b>	(₱29,789,176)

(Forward)

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
<b>Net loss attributable to:</b>				
Equity holders of Xurpas Inc.	(₱22,724,658))	(₱5,050,777)	(₱22,878,053)	(₱6,188,832)
Noncontrolling interests	(12,058,818)	(6,967,096)	(2,070,718)	(5,318,070)
	(₱34,783,476)	(₱12,017,873)	(₱24,948,771)	(₱11,506,902)
<b>Total comprehensive loss attributable to:</b>				
Equity holders of Xurpas Inc.	(₱15,536,943)	(₱64,236,791)	(₱32,832,070)	(₱24,485,570)
Noncontrolling interests	(12,058,818)	(6,850,369)	(2,070,718)	(5,303,606)
	(₱27,595,761)	(₱71,087,160)	(₱38,251,362)	(₱29,789,176)
<b>Loss Per Share (Note 23)</b>				
Basic	(₱0.01)	₱—	(₱0.01)	₱—
Diluted	(₱0.01)	₱—	(₱0.01)	₱—

*See accompanying Notes to Consolidated Financial Statements.*

**XURPAS INC. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY**

	<b>September30</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF XURPAS INC.</b>		
<b>CAPITAL STOCK - ₱0.10 par value (Note 22)</b>		
Authorized – 5,000,000,000 shares		
Issued and outstanding		
Balance at beginning of period	<b>₱211,674,403</b>	₱193,492,585
Issuance of common shares	–	18,181,818
Balance at end of period	<b>211,674,403</b>	211,674,403
<b>ADDITIONAL PAID-IN CAPITAL (Note 22)</b>		
Balance at beginning of period	<b>3,659,721,747</b>	3,577,903,565
Issuance of common shares	–	81,818,182
Balance at end of period	<b>3,659,721,747</b>	3,659,721,747
<b>RETAINED EARNINGS (DEFICIT) (Note 22)</b>		
Appropriated		
Balance at beginning and end of period	<b>115,464,275</b>	115,464,275
Unappropriated		
Balance at beginning of period	<b>(3,408,602,198)</b>	(3,356,506,924)
Transfer of revaluation surplus	25,337	–
Net loss	<b>(22,724,658)</b>	(5,050,777)
Balance at end of period	<b>(3,431,301,519)</b>	(3,361,557,701)
	<b>(3,315,837,244)</b>	(3,246,093,426)
<b>NET UNREALIZED LOSS ON FINANCIAL ASSETS AT FVOCI (Note 8)</b>		
Balance at beginning and end of period	<b>(43,494,956)</b>	(44,094,956)
<b>CUMULATIVE TRANSLATION ADJUSTMENT</b>		
Balance at beginning of period	<b>18,466,776</b>	50,821,647
Movement during the period	<b>159,693</b>	(41,089,911)
Balance at end of period	<b>18,626,469</b>	9,731,736
<b>REMEASUREMENT GAIN ON DEFINED BENEFIT PLAN</b>		
Balance at beginning and end of period	<b>8,251,009</b>	2,908,954
<b>EQUITY RESERVE (Notes 22)</b>		
Balance at beginning and end of period	<b>(363,424,608)</b>	(363,424,608)
<b>REVALUATION SURPLUS</b>		
Balance at beginning of period	<b>7,816,043</b>	28,559,774
Transfer of revaluation surplus	<b>(25,337)</b>	–
Movement during the period	<b>7,028,022</b>	(18,096,103)
Balance at end of period	<b>14,818,728</b>	10,463,671
<b>TREASURY STOCK (Note 22)</b>		
Balance at beginning and end of period	<b>(99,700,819)</b>	(99,700,819)
	<b>90,634,729</b>	141,186,702
<b>NONCONTROLLING INTERESTS</b>		
Balance at beginning of period	<b>(136,870,239)</b>	(113,329,574)
Cumulative translation adjustment	–	116,727
Net loss	<b>(12,058,818)</b>	(6,967,096)
Balance at end of period	<b>(148,929,057)</b>	(120,179,943)
	<b>(₱58,294,328)</b>	₱21,006,759

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**XURPAS INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**CASH FLOWS**

	September 30	
	2023 (Unaudited)	2022 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(P33,568,536)	(P6,211,210)
Adjustments for:		
Provision for impairment loss (Note 17)	17,822,201	2,357,724
Equity in net losses (earnings) of associates (Note 10)	11,635,581	(5,887,087)
Interest expense (Note 18)	2,744,151	5,963,589
Depreciation and amortization (Notes 16 and 17)	2,611,262	6,914,634
Unrealized loss on revaluation of cryptocurrencies	17,464	—
Gain on disposal of property and equipment	(1,243)	(16,500)
Unrealized foreign currency exchange loss (gain)	(254,894)	278,952
Realized foreign currency exchange gain	(5,055,115)	—
Interest income (Notes 5 and 18)	(7,921,143)	(273,558)
Operating income (loss) before changes in working capital	(11,970,272)	3,126,544
Changes in working capital		
Decrease (increase) in:		
Accounts and other receivables and contract assets – net	12,973,601	(54,417,883)
Other assets	(16,929,702)	6,928,134
Increase (decrease) in:		
Accounts and other payables	4,788,271	2,865,440
Contract liabilities	20,253,913	(1,723,328)
Net cash provided by (used in) operations	9,115,811	(43,221,093)
Income taxes paid	(1,218,263)	(5,806,663)
Interest received	7,921,143	273,558
Interest paid	(210,517)	(257,885)
Net cash provided by (used in) operating activities	15,608,174	(49,012,083)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial asset at FVPL (Note 8)	33,597,600	—
Dividends received from associate (Note 10)	4,093,702	—
Proceeds from sale of cryptocurrencies	2,628,714	—
Proceeds from sale of property and equipment	1,499,378	16,500
Acquisition of intangible assets (Note 12)	(7,789,434)	(815,550)
Additions to property and equipment (Note 11)	(1,752,188)	(3,839,189)
Net cash provided by (used in) investing activities	32,277,772	(4,638,239)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of loans payable (Note 14)	(305,570)	(416,752)
Proceeds from issuance of shares (Note 22)	—	100,000,000
Payment of lease liabilities (Note 19)	(1,076,513)	(781,340)
Net cash provided by (used in) financing activities	(1,382,083)	98,801,908
<b>EFFECT OF FOREIGN CURRENCY EXCHANGE</b>		
<b>RATE CHANGES ON CASH</b>	1,690,561	(1,854,260)
<b>NET INCREASE IN CASH</b>	48,194,424	43,297,326
<b>CASH AT BEGINNING OF PERIOD</b>	63,309,410	35,951,198
<b>CASH AT END OF PERIOD (Note 5)</b>	P111,503,834	P79,248,524

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

## **XURPAS INC. AND SUBSIDIARIES**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **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 November 14, 2023.

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#### **2. Summary of Significant Accounting Policies**

##### Basis of Preparation

The interim condensed consolidated financial statements of the Group as at September 30, 2023 and for the nine-month periods ended September 30, 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 September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 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 September 30, 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 September 30, 2023 and December 31, 2022, the consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	<b>Percentage Ownership</b>		<b>Principal Activities</b>
	<b>September 30, 2023</b>	<b>December 31, 2022</b>	
Xeleb Technologies Inc. (formerly Fluxion, Inc.) (Xeleb Tech)	<b>100.00%</b>	100.00%	Mobile consumer services
Xeleb Inc. (Xeleb)	<b>100.00</b>	100.00	Mobile consumer services
Seer Technologies, Inc. (Seer)	<b>70.00</b>	70.00	Enterprise services
Codesignate Inc. (Codesignate)*	<b>52.50</b>	52.50	Enterprise services
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.) (Storm)	<b>51.31</b>	51.31	Human resource management
Pt. Storm Benefits Indonesia (Storm Indonesia)**	<b>51.31</b>	51.31	Human resource management
AllCare Technologies, Inc.*** (Forward)	<b>35.35</b>	35.35	Human resource management



	Percentage Ownership		Principal Activities
	September 30, 2023	December 31, 2022	
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
Xurpas Software Inc. (Xurpas Software)	100.00	–	Enterprise services
Xurpas Pty. Ltd. (Xurpas Australia)	100.00	–	Enterprise services
<i>*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.</i>			
<i>**Storm Indonesia is 100%-owned subsidiary of Storm Technologies Inc.</i>			
<i>***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)</i>			

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. On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb Technologies.

As at September 30, 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. On September 11, 2019, the board of directors of the Parent Company approved the dissolution of Xeleb.

As at September 30, 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 is primarily engaged 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 September 30, 2023.

#### Xurpas Software Inc.

In April 2023, the Parent Company incorporated Xurpas Software which shall primarily engage in 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.

#### Xurpas Pty. Ltd.

In July 25, 2023, the Parent Company incorporated Xurpas Pty. Ltd., a wholly-owned subsidiary based in Australia, which aims to offer the Group's products and services in the said country.

#### 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, 2023. 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 an 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.

#### Derecognition

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.

#### Impairment of Financial Assets and Contract Assets

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.

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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 are 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.

#### Intangible Assets

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 cryptocurrencies' 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.

#### Business Combinations and Goodwill

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 measured 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.

#### Noncontrolling interests

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 is 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.

### Equity

#### *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.

#### Revenue Recognition

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 nine-month periods ended September 30, 2023 and 2022, the Group has no variable consideration but the timing of revenue recognition resulted in contract assets and liabilities.

#### Contract Balances

##### *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.

#### Cost and Expenses

“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.

#### Leases

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	1.5 to 2.5 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.

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### **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.

#### Judgments

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 of ₱34.78 million for the nine-month period ended September 30, 2023. As of September 30, 2023 the Group's current liabilities exceeded its current assets by ₱393.91 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.

Management's Use of Estimates

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 September 30, 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 ₱240.63 million and ₱272.89 million as of September 30, 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 September 30, 2023 and December 31, 2022, allowance for impairment losses on accounts and other receivables amounted to ₱31.93 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.

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#### 4. Seasonality of Interim Operations

The Group is not subject to the seasonality of revenue realization.

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#### 5. Cash

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	₱126,711	₱879,608
Cash in banks	111,377,123	62,429,802
	<b>₱111,503,834</b>	<b>₱63,309,410</b>

Cash in banks earn interest at the prevailing bank deposit rates.

Interest income earned from cash in banks amounted to ₱0.76 million and ₱0.27 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

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#### 6. Accounts and Other Receivables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	₱83,172,143	₱93,575,021
Receivable from related parties (Note 20)	9,218,309	21,424,517
Advances to employees	2,938,350	2,411,075
Others	13,920,652	12,200,603
	<b>109,249,454</b>	<b>129,611,216</b>
Less: Allowance for impairment loss	<b>31,930,527</b>	<b>32,940,882</b>
	<b>₱77,318,927</b>	<b>₱96,670,334</b>

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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of year	₱32,940,882	₱23,210,902
Provisions	1,788,458	11,909,533
Write-off	(139,350)	(3,249,825)
Translation adjustments	(2,659,463)	1,070,272
	<b>₱31,930,527</b>	<b>₱32,940,882</b>

As of September 30, 2023 and December 31, 2022, the allowance for impairment losses pertains to:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade receivables	₱14,253,521	₱15,263,876
Receivable from related parties (Note 20)	6,137,019	6,137,019
Others	11,539,987	11,539,987
	<b>₱31,930,527</b>	<b>₱32,940,882</b>

## 7. Contract Balances

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Contract assets	₱25,346,430	₱49,299,568
Contract liabilities	54,708,222	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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>Financial assets at FVOCI</i>		
Quoted shares		
Club Punta Fuego	₱1,200,000	₱1,200,000
Unquoted equity shares	—	—
<i>Financial assets at FVPL</i>		
Unquoted debt instruments	—	—
	<b>₱1,200,000</b>	<b>₱1,200,000</b>

The roll forward analysis of net unrealized loss on financial assets at FVOCI follows:

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Balance at beginning of period	<b>(P43,494,956)</b>	(P44,094,956)
Unrealized gain on financial assets at FVOCI	–	600,000
Balance at end of period	<b>(P43,494,956)</b>	(P43,494,956)

Unrealized loss on financial assets at FVOCI is recognized under “Other comprehensive income” in the consolidated statements of comprehensive income.

The quoted shares are categorized under Level 2 of the fair value hierarchy. The unquoted equity 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”) at a purchase price of \$1.50 per share for a total investment of US\$999,999 or P44.24 million. As at September 30, 2023 and December 31, 2022, the Group holds a 3.56% ownership of Zowdow on a fully-diluted basis. As at September 30, 2023 and December 31, 2022, the Group has unrealized loss on this investment amounting to P44.24 million.

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*

The Group has convertible promissory notes and bonds receivable as of September 30, 2023 and December 31, 2022:

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
Unquoted debt investments		
MatchMe Pte. Ltd.	<b>P52,495,000</b>	P52,495,000
Altitude Games Pte. Ltd.	–	28,856,000
Einsights Pte. Ltd.	<b>23,475,000</b>	23,475,000
Pico Candy Pte. Ltd.	<b>3,602,123</b>	3,602,123
	<b>79,572,123</b>	108,428,123
Less: remeasurement loss	<b>(79,572,123)</b>	(108,428,123)
	<b>P–</b>	<b>P–</b>

In April 8, 2023, Altitude Games sold its assets and business to a company registered in Australia. Part of the proceeds from the sale was used to settle the convertible debt and corresponding interest amounting to US\$600,000 and US\$110,375, respectively. Accordingly, “Gain from recovery of financial asset at FVPL” and “Interest income” were recorded under “Other income – net” amounting to P28.86 million and P6.18 million, respectively (Note 18). Foreign currency gain arising from the transaction amounted to P5.08 million (Note 18).

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## 9. Other Assets

### Other current assets

This account consists of:

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
Prepaid expenses	<b>₱14,556,501</b>	₱1,187,897
Input VAT – net	<b>10,761,122</b>	10,056,921
Creditable withholding tax	<b>8,466,375</b>	5,997,879
Deferred input VAT	<b>643,753</b>	198,244
Refundable deposits	<b>618,086</b>	1,010,735
	<b>35,045,837</b>	18,451,676
Less: allowance for impairment losses	<b>3,377,346</b>	3,377,346
	<b>₱31,668,491</b>	<b>₱15,074,330</b>

Prepaid expenses mainly pertain to advances to suppliers, advance rent and prepaid professional fees.

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services.

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:

	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
Creditable withholding tax	<b>₱20,905,385</b>	₱20,678,208
Deferred input VAT	<b>1,629,960</b>	1,466,865
Security deposit	<b>10,418</b>	–
Others	<b>696,942</b>	696,942
	<b>23,242,705</b>	22,842,015
Less: allowance for impairment losses	<b>9,386,080</b>	9,320,931
	<b>₱13,856,625</b>	<b>₱13,521,084</b>



## 10. Investments in and Advances to Associates

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Cost</b>		
Balance at beginning and end of period	<b>₱577,561,081</b>	₱577,561,081
<b>Equity in net loss</b>		
Balance at beginning of period	<b>(178,729,585)</b>	(174,445,882)
Share in net loss during the period	<b>(11,635,581)</b>	(4,283,703)
Balance at end of period	<b>(190,365,166)</b>	(178,729,585)
<b>Cumulative translation adjustment</b>		
Balance at beginning of period	<b>6,169,267</b>	18,165,445
Movement during the period	<b>(493,779)</b>	(11,996,178)
Balance at end of period	<b>5,675,488</b>	6,169,267
<b>Dividend received during the period</b>	<b>(4,093,702)</b>	—
<b>Accumulated impairment</b>		
Balance at beginning of period	<b>(132,115,484)</b>	(107,147,488)
Movement during the period	<b>(16,033,742)</b>	(24,967,996)
	<b>(148,149,226)</b>	(132,115,484)
	<b>240,628,475</b>	272,885,279
<b>Advances to Associate</b>	<b>22,084,586</b>	22,084,586
	<b>₱262,713,061</b>	₱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:

	<b>Percentages of Ownership</b>		<b>Carrying Amounts</b>	
	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Micro Benefits Limited	<b>23.53</b>	23.53	<b>₱219,990,005</b>	₱232,352,371
Altitude Games Pte. Ltd	<b>21.17</b>	21.17	—	20,430,326
PT Sembilan Digital Investama	<b>49.00</b>	49.00	<b>20,638,470</b>	20,102,582
MatchMe Ltd.	<b>29.10</b>	29.10	—	—
Altitude Games Inc.	<b>21.17</b>	21.17	—	—
			<b>₱240,628,475</b>	₱272,885,279
<b>Advances to associate</b>				
PT Sembilan Digital Investama			<b>22,084,586</b>	22,084,586
			<b>₱262,713,061</b>	₱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 September 30, 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.

In April 8, 2023, Altitude Games approved the sale of its assets and business to a company registered in Australia. The proceeds were used primarily to settle its liabilities to the Parent Company and other creditors wherein the

Parent Company received US\$827,875 or ₱46.36 million (see Notes 8 and 20). Following the settlement of the liabilities, the remaining proceeds were distributed to the shareholders in the form of dividends. The Parent Company received dividends amounting to ₱4.09 million (Note 20).

As a result of the disposal of Altitude Games' assets and business, the Parent Company provided full impairment loss on its investment in Altitude Games amounting to ₱16.03 million (Note 17).

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 September 30, 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 Jl. 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 September 30, 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.

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## 11. Property and Equipment

The Group acquired property and equipment amounting to ₱1.75 million and ₱3.84 million during the nine-month periods ended September 30, 2023 and 2022, respectively. Depreciation expense amounted to ₱1.54 million and ₱1.22 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

## 12. Intangible Assets

This account consists of:

### September 30, 2023

	Goodwill	Developed Software	Crypto-Currencies	Total
<b>Cost</b>				
At beginning of period	₱2,004,469,603	₱104,377,217	₱3,215,685	₱2,112,062,505
Additions	—	146,250	7,643,184	7,789,434
Disposals	—	—	(2,646,178)	(2,646,178)
At end of period	2,004,469,603	104,523,467	8,212,691	2,117,205,761
<b>Accumulated amortization</b>				
At beginning of period	—	93,065,021	—	93,065,021
Amortization (Note 16)	—	301,245	—	301,245
At end of period	—	93,366,266	—	93,366,266
<b>Accumulated impairment</b>				
At beginning and end of period	1,956,247,619	10,242,927	—	1,966,490,546
<b>Accumulated revaluation surplus</b>				
At beginning of year	—	—	10,330,225	10,330,225
Revaluation increase	—	—	7,028,022	7,028,022
At end of year	—	—	17,358,247	17,358,247
<b>Net Book Value</b>	<b>₱48,221,984</b>	<b>₱914,274</b>	<b>₱25,570,938</b>	<b>₱74,707,196</b>

### December 31, 2022

	Goodwill	Developed Software	Crypto-currencies	Total
<b>Cost</b>				
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
<b>Accumulated amortization</b>				
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
<b>Accumulated Impairment</b>				
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
<b>Accumulated revaluation surplus</b>				
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
<b>Net Book Value</b>	<b>₱48,221,984</b>	<b>₱1,069,269</b>	<b>₱13,545,910</b>	<b>₱62,837,163</b>

#### *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 September 30, 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 September 30, 2023 and December 31, 2022, the fair value of Bitcoin is valued at US\$26,962.70 per unit and US\$16,537.40 per unit, respectively, the fair value of Ether is US\$1,667.83 and US\$1,196.77, respectively, while the fair value of USDC is US\$1.00 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 ₱0.30 million and ₱4.94 million for the nine-month periods ended September 30, 2023 and 2022, respectively (see Note 16).

### 13. Accounts and Other Payables

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Payable to third parties	₱88,327,722	₱88,328,722
Nontrade payable	63,005,329	62,801,727
Trade payables	28,111,527	16,478,805
Payable to related parties (Note 20)	28,637,071	27,296,175
Taxes payable	11,966,204	13,963,002
Deferred output VAT	10,958,614	8,098,669
Accrued expenses	7,120,502	13,627,526
Others	155,527,093	156,082,029
	<b>₱393,654,062</b>	<b>₱386,676,655</b>

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.

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.

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.

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.

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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of year	₱153,988,952	₱133,225,859
Translation adjustments	(6,006,495)	20,763,093
	<b>₱147,982,457</b>	<b>₱153,988,952</b>

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#### 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	₱38,384,416	₱38,793,070
Payment of loans	(305,570)	(408,654)
Balance at end of year	38,078,846	38,384,416
Noncurrent loans payable	842,650	4,563,787
	<b>₱37,236,196</b>	<b>₱33,820,629</b>

Interest expense recognized in the consolidated statements of comprehensive income during the nine-month periods ended September 30, 2023 and 2022 amounted to ₱1.33 million and ₱0.24 million, respectively (see Note 18).

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#### 15. Service Income

Service income, amounting to ₱148.20 million and ₱174.49 million for the nine-month periods ended September 30, 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 nine-month periods ended September 30, 2023 and 2022 are presented below:

	For the nine-month period ended September 30, 2023 (Unaudited)		For the three-month period ended September 30, 2023 (Unaudited)	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Service income				
Mobile consumer services	₱5,515,039	₱14,763,917	₱1,552,623	₱1,416,850
Enterprise services	105,047,957	127,716,320	32,086,437	39,827,217
Other services	37,635,029	32,006,879	12,684,462	9,291,075
	<b>₱148,198,025</b>	<b>₱174,487,116</b>	<b>₱46,323,522</b>	<b>₱50,535,142</b>

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#### 16. Cost of Services

Cost of services for the nine-month periods ended September 30, 2023 and 2022 consists of:

	For the nine-month period ended September 30, 2023 (Unaudited)		For the three-month period ended September 30, 2023 (Unaudited)	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Salaries, wages and employee benefits	₱54,253,635	₱76,294,120	₱17,020,560	₱26,669,279
Outside services	40,473,391	20,118,131	19,614,973	7,421,892
Outsourced services	7,004,109	13,766,736	(2,788,750)	1,945,943
Depreciation and amortization (Notes 11 and 12)	301,245	4,935,523	155,546	1,444,684
Web hosting	2,869,836	2,141,959	951,373	667,877

(Forward)

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consultancy fees	2,317,533	594,074	1,647,639	239,574
Commission	600,900	193,673	42,750	49,150
Utilities	306,716	91,727	102,999	51,391
Others	—	887,733	—	471,089
	<b>₱108,127,365</b>	<b>₱119,023,676</b>	<b>₱36,747,090</b>	<b>₱38,960,879</b>

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 ₱16.45 million.

## 17. General and Administrative Expenses

General and administrative expenses for the nine-month periods ended September 30, 2023 and 2022 consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries, wages and employee benefits	₱61,866,473	₱27,501,644	₱20,943,392	₱10,020,102
Provision for impairment loss (Note 6 and 10)	17,822,201	2,357,724	—	2,357,724
Professional fees	5,031,503	8,328,772	3,059,543	3,486,777
Marketing and promotions	3,143,957	4,803,418	(27,492)	2,357,663
Dues and subscription	3,124,874	1,163,296	1,033,600	464,823
Depreciation and amortization (Notes 11 and 12)	2,310,016	1,979,111	754,779	814,162
Taxes and licenses	2,112,814	2,640,104	732,419	370,424
Advertising	1,658,527	689,509	1,136,444	118,202
Transportation and travel	1,439,913	1,073,030	750,005	572,800
Outsourced services	1,132,851	5,695,341	164,508	361,477
Entertainment, amusement and recreation	538,907	477,703	261,798	216,751
Utilities	477,495	829,941	123,544	256,176
Rent (Note 19)	369,601	158,000	69,660	47,000
Seminars and trainings	356,694	296,018	275,848	65,462
Supplies	224,358	76,531	132,338	40,064
Repairs and maintenance	39,150	126,550	10,500	(177,500)
Insurance	5,014	72,657	(95,000)	2,035
Miscellaneous	1,515,505	3,156,077	216,985	1,620,601
	<b>₱103,169,853</b>	<b>₱61,425,426</b>	<b>₱29,542,871</b>	<b>₱22,994,743</b>

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 ₱16.45 million.

## 18. Finance Costs and Other Income (Charges)

Finance costs consists of:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expense on loans payable (Notes 20 and 26)	₱2,671,518	₱5,942,816	₱883,395	₱2,112,241
Accretion of interest from lease liabilities (Note 19)	72,633	20,773	28,147	4,641
Interest income from cash in banks	(760,654)	(273,558)	(236,927)	(237,889)
	<b>₱1,983,497</b>	<b>₱5,690,031</b>	<b>₱674,615</b>	<b>₱1,878,993</b>

Other income (charges) consists of:

	For the nine-month period ended September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	For the three-month period ended September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Other income (charges) arising from recovery and collection of convertible notes receivable from an associate				
Gain from recovery of financial asset at FVPL	₱28,856,000	₱—	₱—	₱—
Interest income	7,160,489	—	—	—
Foreign exchange gain	5,083,200	—	—	—
Gain from recovery of advances from an associate	2,629,000	—	—	—
	<b>43,728,689</b>	—	—	—
Gain on disposal of property and equipment	1,243	16,500	—	16,500
Foreign exchange gains (losses)	(807,999)	(278,952)	(1,062,893)	—
Unrealized loss on revaluation of cryptocurrencies	(17,464)	—	—	—
Bank charges	(397,032)	(323,704)	(124,108)	(111,034)
Other income	642,298	139,876	—	7,920
	<b>₱43,149,735</b>	<b>(₱446,280)</b>	<b>(₱1,187,001)</b>	<b>(₱86,614)</b>

## 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 September 30, 2023 and December 31, 2022:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Cost</b>		
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
<b>Accumulated Depreciation</b>		
Balance at beginning of period	1,846,337	839,244
Depreciation	770,083	1,007,093
Expiration of lease contract and derecognition of right-of-use asset	(2,014,185)	—
	602,235	1,846,337
	<b>₱1,462,568</b>	<b>₱167,848</b>

The rollforward analysis of lease liability as of September 30, 2023 and December 31, 2022 follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at beginning of period	₱173,322	₱1,192,005
Addition	2,335,668	—
Accretion of interest	72,633	23,104
Payments	(1,076,513)	(1,041,787)
Balance at end of period	₱1,505,110	₱173,322
Current lease liabilities	₱1,016,348	₱173,322
Noncurrent lease liabilities	₱488,762	₱—

Total rent expense charged under “Cost of services” and “General and administrative expenses” in the consolidated statements of comprehensive income amounted to ₱0.37 million and ₱0.16 million for the nine-month periods ended September 30, 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 September 30, 2023 and December 31, 2022 follow:

					Outstanding Balance			
			Amount/ Volume		September 30, 2023		December 31, 2022	
	Terms	Conditions	September 30, 2023	September 30, 2022	Receivable	Payable	Receivable	Payable
<b>Associate</b>								
Interest income (a)	Noninterest-bearing	Unsecured, no impairment	₱979,930	₱—	₱—	₱—	₱—	₱—
Dividends (b)	Noninterest-bearing	Unsecured, no impairment	4,093,702	—	—	—	—	—
Advances (a, c)	Noninterest-bearing	Unsecured, no impairment	501,973	270,993	7,209,161	—	11,965,188	—
<b>Stockholders</b>								
Interest (a-c)	Noninterest-bearing	Unsecured	1,341,001	3,697,328	—	28,412,227		27,071,226
Payable to directors and officers (a-c)	Interest-bearing	Unsecured	—	—	—	153,135,857	—	152,353,662
Advances (d-e)	One year; noninterest-bearing	Unsecured, no impairment	—	—	—	117,678	77,000	117,678
<b>Affiliate</b>								
Trade Receivables (a-b)	Noninterest-bearing	Unsecured	8,313,994	1,854,466	2,009,148	—	9,382,329	
Advances (c)	Noninterest-bearing	Unsecured	—	—	—	107,166	—	107,271
					₱9,218,309	₱181,772,928	₱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 of December 31, 2022, receivable from Altitude Games amounted to ₱5.26 million and recognized allowance for impairment loss amounted ₱2.63 million.

In April 8, 2023, Altitude Games sold its assets and business to a company registered in Australia. Part of the proceeds from the sale was used to settle the loan and the Parent Company was able to collect the principal and interest amounting to of US\$100,000 and US\$17,500 million, respectively. Accordingly, the Parent Company recorded “Interest income” and “Gain from recovery of advances from an associate” under “Other income – net” amounting to ₱0.98 million and ₱2.63 million, respectively.

- b. In relation to the sale of assets and business of Altitude Games, the Parent Company received dividends amounting to ₱4.09 million for its share in the remaining proceeds (see Note 10).
- c. The Parent Company made payments on behalf of SDI for its outsourced services. As at September 30, 2023 and December 31, 2022, outstanding balance amounted to ₱7.13 million and ₱6.71 million. The Parent Company recognized allowance for impairment loss amounting to ₱3.12 million as of September 30, 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 nine-month periods ended September 30, 2023 and 2022, the Group recognized interest expense amounting to ₱1.34 million and ₱3.68 million, respectively, under “Other income (charges)” in its consolidated statements of comprehensive income. As at September 30, 2023 and December 31, 2022, outstanding loans and interest payable amounted to ₱103.83 million and ₱20.45 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 nine-month periods ended September 30, 2023 and 2022, the Group recognized interest expense amounting to nil and ₱2.02 million under “Other income (charges)” in its consolidated statements of comprehensive income.

As at September 30, 2023 and December 31, 2022, outstanding loans and interest payable pertaining to this transaction amounted to ₱49.30 million and ₱7.96 million, respectively.

- c. On June 30, 2023, the BOD of the Parent Company approved the conversion of advances (principal and interest payable) from two (2) of its founders to equity. The BOD also approved to waive all loan interests starting January 1, 2023. The aggregate amount of the advances for conversion is ₱136.52 million which is the outstanding value as of December 31, 2022.
- d. 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 September 30, 2023 and December 31, 2022 amounted to ₱0.12 million.
- e. In 2022, the Group made advances to stockholders amounting to ₱0.08 million. These are noninterest-bearing and are subject to future liquidation.

Affiliate:

- a. The Group entered into an agreement with CTX wherein the Group agreed to perform financial, legal, human resources, sales and marketing support, administrative support and technical services for a fee. Total service income from these services for the nine-month periods ended September 30, 2023 and 2022 amounted to ₱0.91 million and ₱0.95 million, respectively. As at September 30, 2023 and December 31, 2022, outstanding receivable amounted to ₱0.62 million and ₱2.75 million, respectively.

- b. The Group entered into service agreement with CTX to provide staff augmentation and software development services. The Group's revenue from these services for the nine-month period ended September 30, 2023 and 2022 amounted to ₱7.41 million and ₱4.28 million, respectively. Outstanding receivable as of September 30, 2023 and December 31, 2022 amounted to ₱1.38 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 September 30, 2023 and December 31, 2022 amounted to ₱0.11 million.

Compensation of key management personnel pertaining to short-term employee benefits amounted to ₱19.28 million and ₱11.57 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

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## 21. Income Taxes

Provision for (benefit from) income tax for the nine-month periods ended September 30, 2023 and 2022 consists of:

	<b>September 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current	<b>₱1,067,913</b>	₱5,753,208
Deferred	<b>(4,266)</b>	—
Final	<b>151,293</b>	53,455
	<b>₱1,214,940</b>	₱5,806,663

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## 22. Capital Deficiency

The details of the number of shares as at September 30, 2023 and December 31, 2022 follow:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Authorized shares	<b>5,000,000,000</b>	5,000,000,000
Par value per share	<b>₱0.10</b>	₱0.10
Issued shares	<b>2,116,744,034</b>	2,116,744,034
Treasury shares	<b>62,128,975</b>	62,128,975
Value of shares issued	<b>₱211,674,403</b>	₱211,674,403
Value of treasury shares	<b>(₱99,700,819)</b>	(₱99,700,819)

### Capital Stock and Additional Paid-in Capital (APIC)

The balance of additional paid-in capital (APIC) as of September 30, 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. Nollado, 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.

On June 30, 2023, the BOD of the Parent Company approved the conversion of advances (principal and interest payable) from two (2) of its founders to equity. The BOD also approved to waive all loan interests starting

January 1, 2023. The aggregate amount of the advances for conversion is ₱136.52 million which is the outstanding value as of December 31, 2022. The conversion price was set at ₱0.30 per share awaiting approval from SEC as of September 30, 2023.

#### Retained Earnings

##### *Appropriations*

Appropriated retained earnings which relate to buyback program of common shares in 2016 amounted to ₱115.46 million as of September 30, 2023 and December 31, 2022.

##### *Dividends declaration*

The Parent Company has no dividend declarations made in the nine-month periods ended September 30, 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 no change 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 September 30, 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 September 30, 2023, the Plan has been on hold for 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Capital stock	<b>₱211,674,403</b>	₱211,674,403
Additional paid-in capital	<b>3,659,721,747</b>	3,659,721,747
Deficit	<b>(3,315,837,244)</b>	(3,293,137,923)
	<b>₱555,558,906</b>	₱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 September 30, 2023 and December 31, 2022.

## 23. Loss Per Share

The Group's loss per share for the nine-month periods ended September 30, 2023 and 2022 were computed as follows:

	For the nine-month period ended		For the three-month period ended	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Net loss attributable to the equity holders of the Parent Company	(P22,724,658)	(P5,050,777)	(P22,878,053)	(P6,188,832)
Weighted average number of outstanding shares	2,054,615,059	2,001,335,006	2,054,615,059	2,001,335,006
Basic loss per share	(P0.01)	P—	(P0.01)	P—
Diluted loss per share	(P0.01)	P—	(P0.01)	P—

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 September 30, 2023, there's no potentially dilutive common shares.

## 24. Financial Instruments

### Fair Value Information

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 P1.20 million approximate their carrying value.

### Fair Value Hierarchy

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 September 30, 2023 and December 31, 2022 were classified under Level 2 (see Note 8).

Unquoted financial assets at FVOCI amounting to nil as at September 30, 2022 and December 31, 2022 were classified under Level 3 (see Note 8).

As at September 30, 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 nine-month periods ended September 30, 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 September 30, 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 September 30, 2023 and December 31, 2022 are based on contractual undiscounted payments.

As at September 30, 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 September 30, 2023 and December 31, 2022.

	<b>September 30, 2023</b>		<b>December 31, 2022</b>	
	<b>Original currency</b>	<b>Peso equivalent</b>	<b>Original currency</b>	<b>Peso equivalent</b>
<b>Cash in bank</b>				
US Dollar (USD)	<b>\$1,047,018</b>	<b>₱59,639,173</b>	\$40,671	₱2,267,609
<b>Trade receivables</b>				
US Dollar (USD)	<b>188,440</b>	<b>10,733,758</b>	191,894	10,699,072
Foreign currency denominated assets		<b>70,372,931</b>		12,966,681
<b>Trade Payables</b>				
US Dollar (USD)	<b>1,999</b>	<b>113,887</b>	29,199	1,628,014
Net foreign currency denominated financial instruments		<b>₱70,259,044</b>		₱11,338,667

In translating the foreign currency-denominated monetary assets into Peso amounts, the exchange rates used were as follows:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
USD to ₱	<b>₱56.96</b>	₱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 and other 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 nine-month periods ended September 30, 2023 and 2022:

**September 30, 2023 (Unaudited)**

	Mobile consumer services	Enterprise Service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱5,515,039	₱128,682,126	₱37,635,029	(₱23,634,169)	₱148,198,025
COST AND EXPENSES	(40,704,137)	(155,310,688)	(56,627,125)	41,344,732	(211,297,218)
Equity in net losses of associates	–	–	–	(11,635,581)	(11,635,581)
Other expenses	47,652,403	(1,126,778)	(532,946)	(4,826,441)	41,166,238
	12,463,305	(27,755,340)	(19,525,042)	1,248,541	(33,568,536)
Provision for (benefit from) income tax	(283,471)	(931,469)	–	–	(1,214,940)
Net income (loss)	₱12,179,834	(₱28,686,809)	(₱19,525,042)	₱1,248,541	(₱34,783,476)
Net loss attributable to:					
Equity holders of Xurpas Inc.					(₱22,724,658)
Noncontrolling interests					(12,058,818)
					(₱34,783,476)

**September 30, 2022 (Unaudited)**

	Mobile consumer services	Enterprise service	Other services	Intersegment Adjustments	Consolidated
INCOME					
Service income	₱16,504,988	₱159,640,910	₱32,006,879	(₱33,665,661)	₱174,487,116
COST AND EXPENSES	(17,114,697)	(153,392,479)	(43,916,740)	33,974,814	(180,449,102)
Equity in net earnings of associates	–	–	–	5,887,087	5,887,087
Finance costs and other income – net	(340,898)	(5,192,171)	(290,706)	(312,536)	(6,136,311)
	(950,607)	1,056,260	(12,200,567)	5,883,704	(6,211,210)
Provision for income tax	(383,293)	(5,423,370)	–	–	(5,806,663)
Net income (loss)	(₱1,333,900)	(₱4,367,110)	(₱12,200,567)	₱5,883,704	(₱12,017,873)
Net income (loss) attributable to:					
Equity holders of Xurpas Inc.					(₱5,050,777)
Noncontrolling interests					(6,967,096)
					(₱12,017,873)

**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	September 30, 2023
Loans payable	₱38,384,416	(₱305,570)	₱–	₱–	₱38,078,846
Lease liabilities	173,322	(1,076,513)	2,408,301	–	1,505,110
Advances from stockholders	152,353,662	–	–	782,195	153,135,857
Total liabilities from financing activities	₱190,911,400	(₱1,382,083)	₱2,408,301	₱782,195	₱192,719,813

	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

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## 27. Events after the Reporting Date

In line with the conversion of advances from stockholders to equity, the Parent Company received on October 10, 2023 the Certificate of Approval of Valuation from the SEC for the conversion price of ₱0.30 per share. Accordingly, 455,068,753 common shares were issued to Messrs. Nico Jose Nollado and Fernando Jude Garcia on November 13, 2023.

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## 28. Approval of Financial Statements

The unaudited interim condensed consolidated financial statements of the Group as at September 30, 2023 and December 31, 2022 and for the nine-month periods ended September 30, 2023 and 2022 were approved and authorized for issue by the BOD on November 14, 2023.



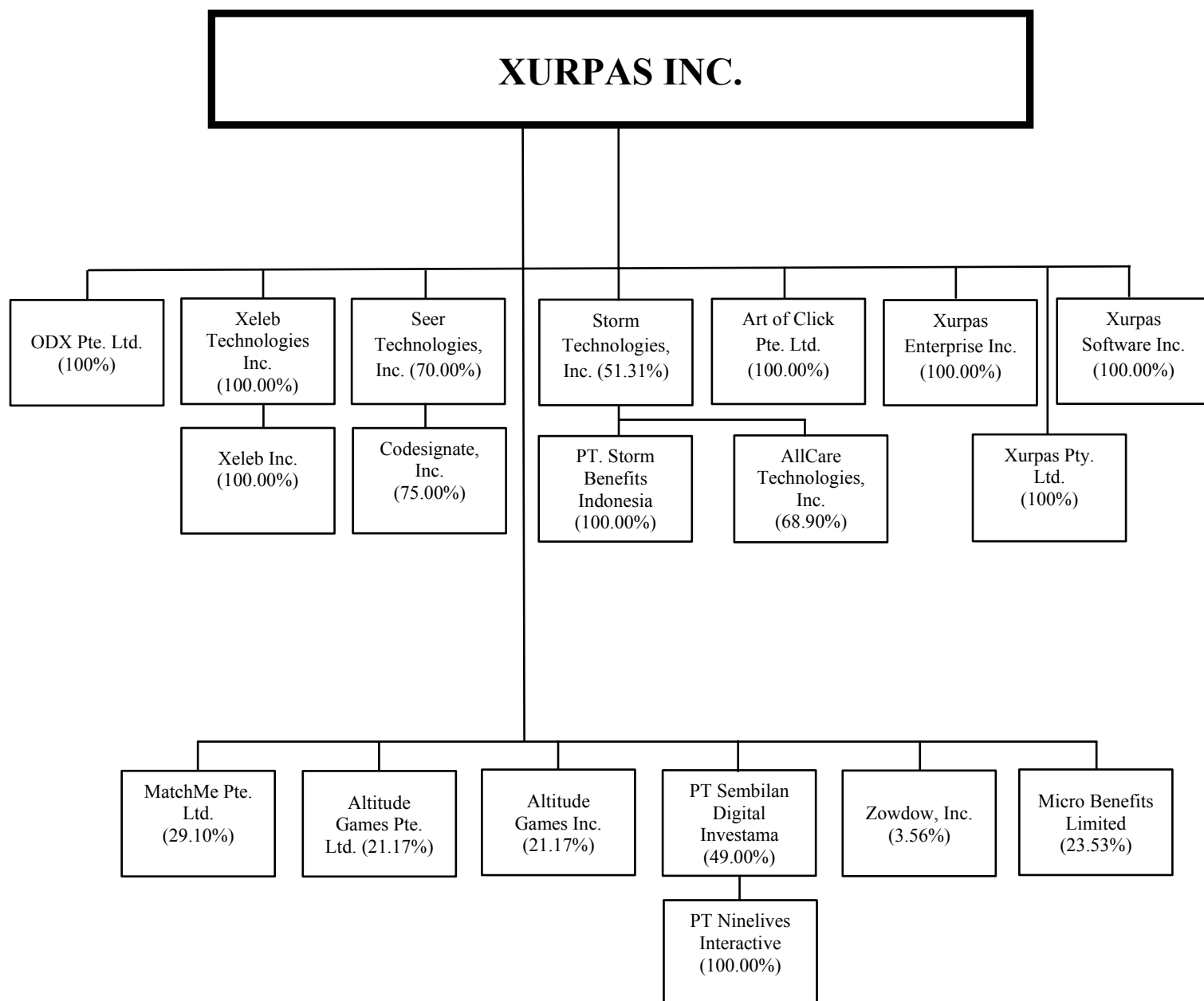
**AGING OF RECEIVABLES**

The aging analysis of accounts receivable as of September 30, 2023 presented per class follows:

	<b>Current</b>	<b>Days past due</b>				<b>Total</b>
		<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>61 to 90 days</b>	<b>&gt;90 days</b>	
Trade receivable	<b>₱22,046,617</b>	<b>₱4,712,195</b>	<b>₱2,835,575</b>	<b>₱2,642,939</b>	<b>₱50,934,817</b>	<b>₱83,172,143</b>
Receivable from related parties	<b>9,218,309</b>	—	—	—	—	<b>9,218,309</b>
Advances to employees	<b>2,938,350</b>	—	—	—	—	<b>2,938,350</b>
Others	<b>13,920,652</b>	—	—	—	—	<b>13,920,652</b>
	<b>₱48,123,928</b>	<b>₱4,712,195</b>	<b>₱2,835,575</b>	<b>₱2,642,939</b>	<b>₱50,934,817</b>	<b>₱109,249,454</b>

## 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 Loss based on the face of financial statement	(11,449,127)
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	—
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	782,195
Fair value adjustment (M2M gains)	—
Impairment loss	—
Net Income Actual/Realized	(10,666,932)
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**

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**FINANCIAL RATIOS**

<b>Financial Ratios</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
A. Current ratios		
Current ratios	38%	37%
Quick ratios	33%	34%
B. Debt-to-equity ratios	731%	597%
C. Asset-to-equity ratios	667%	568%
D. Interest rate coverage ratios	(1,245%)	(642%)
E. Profitability ratios		
Net income (loss) margin	(15%)	(23%)
Gross margin	27%	25%
Operating margin	(19%)	(23%)
Return on assets	(4%)	(9%)
Return on equity	(23%)	(49%)

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Ending the first nine months of 2023, Xurpas still continues to be a beacon of innovation, pushing forward its vision of shaping the future of businesses, with its underlying commitment to transformative technology. The Company, venturing into Web 3.0 services in the second half of 2022, which involves cutting edge technologies like blockchain, established the business unit, X3. Building on this momentum, Xurpas introduced significant additions to the group in 2023:

- 1) Xurpas Software Inc. which contributes to the enhancement of the company's presence in the digital business transformation software solutions sector by focusing on creating user-friendly software products and services using advanced ERP technologies;
- 2) Xurpas Pty Ltd which aims to seek new market opportunities in Australia, where it plans to offer enterprise products and services; and
- 3) Xurpas AI Lab (XAIL), specializing in software products and services that utilize artificial intelligence (AI) and data science.

XAIL was formally launched on October 19, 2023 with its event, Set XAIL Towards Your AI-enabled Philippine Business. A business unit under Xurpas Enterprise, XAIL extends its expertise to businesses looking to leverage AI-powered solutions to meet real-world challenges. The lab's focus on practical, results-driven AI applications places it at the forefront of a movement poised to revolutionize customer experiences and streamline operations across a multitude of industries.

This continuing journey on innovation is built on a foundation of experience and expertise in Xurpas' traditional technology businesses: staff augmentation through our "FlexIT" business unit and our custom software development arm, "Software Builders". These business units had varying results as of third quarter of 2023; but have optimism on reversing trends in some of the business segments.

For the first three quarters of 2023, total revenues decreased by 15% to ₱148.20 million, from ₱174.49 million the same period of 2022 primarily due to the decline in the enterprise and mobile consumer services businesses. There has been a drop of revenues under IT staff augmentation for the period. On the other hand, there has been an increase in revenues for custom development and business solutions, adding to the revenues generated from the successful entry to the Web 3.0 business. Meanwhile, AllCare, under other services, also generated an increase in revenues.

The Group's consolidated expenses during the nine-month period ended September 30, 2023, amounted to ₱211.30 million, a 17% increase from the same period of the previous year at ₱180.45 million. This is primarily due to the provision for impairment loss recognized from the sale of Altitude assets/business which was finalized on April 8, 2023. This was offset, however, by combined recovery of written off notes and interest income and FOREX gain from the said transaction. Increase in salaries and wages due to additional manpower and management, as part of its strategy for growth and expansion, also contributed to the increase in operating expense for the period.

Xurpas also shared a portion of the losses incurred by its associates amounting to ₱11.64 million loss as of Q3 2023 compared with the ₱5.89 million income of the same period of last year. Other income, charges and finance costs - net improved by 771% mainly due to the gain and interest income recognized from the Altitude sale in Q2 2023. By the end of the third quarter of 2023, the Company generated a ₱33.57 million pre-tax loss and ₱34.78 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 third quarter of 2023. This caused the company to earn ₱7.18 million other comprehensive income for the first three quarters as opposed to the ₱59.07 million other comprehensive loss in the same period of last year, a 112% improvement. This resulted into a ₱27.60 million total comprehensive loss by the end of September 2023; which increased the consolidated total capital deficiency to ₱58.29 million in September 30, 2023, from ₱30.70 million in December 31, 2022.

On October 10, 2023, the Company received the Certificate of Approval of Valuation from the Securities and Exchange Commission, in relation to the conversion of the ₱136.52 million advances to stockholders equity. The conversion price was agreed by the parties on July 28, 2023; for which a fairness opinion was issued by Isla, Lipana, & Co. (PWC). Pertinent to the transaction, the Company issued 455,068,753 common shares to Messrs. Nico Jose Nollado and Fernando Jude Garcia on November 13, 2023.

This will improve and strengthen Xurpas’ balance sheet and is a testament of the founders’ confidence in the Corporation’s ability to further expand its business as it places Xurpas at the forefront of a technological shift.

Xurpas will continue to streamline its operations and prioritize the expansion of its core and future businesses which will continue its objective to provide vast innovative solutions to its customers while expanding its global footprint.

## Financial Summary

Key Financial Data In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Enterprise services	105.05	71%	127.72	73%	(22.67)	(18%)
Other services	37.63	25%	32.01	18%	5.62	18%
<i>Total Revenues</i>	<b>148.20</b>	<b>100%</b>	<b>174.49</b>	<b>100%</b>	<b>(26.29)</b>	<b>(15%)</b>
Cost of Services	108.13	73%	119.02	68%	(10.90)	(9%)
<b>Gross Profit</b>	<b>40.07</b>	<b>27%</b>	<b>55.46</b>	<b>32%</b>	<b>(15.40)</b>	<b>(28%)</b>
General and Administrative Expenses	103.17	70%	61.43	35%	41.74	68%
Equity in Net Losses (Earnings) of Associates	11.64	8%	(5.89)	-3%	17.52	(298%)
Other Income, Charges and Finance Costs - net	(41.17)	-28%	6.14	4%	(47.30)	(771%)
<b>Loss Before Income Tax</b>	<b>(33.57)</b>	<b>-23%</b>	<b>(6.21)</b>	<b>-4%</b>	<b>(27.36)</b>	<b>440%</b>
Provision for Income Tax	1.21	1%	5.81	3%	(4.60)	(79%)
<b>Net Loss</b>	<b>(34.78)</b>	<b>-23%</b>	<b>(12.02)</b>	<b>-7%</b>	<b>(22.76)</b>	<b>189%</b>
Other Comprehensive Income (Loss)	7.18	5%	(59.07)	-34%	66.25	(112%)
<b>Total Comprehensive Loss</b>	<b>(27.60)</b>	<b>-19%</b>	<b>(71.09)</b>	<b>-41%</b>	<b>43.49</b>	<b>(61%)</b>

	Sept. 30, 2023 Amount	Dec. 31, 2022 Amount	Amount Change	% Increase
<b>Total Assets</b>	604.10	602.66	1.44	0%
<b>Total Liabilities</b>	662.40	633.36	29.04	5%
<b>Total Equity</b>	(58.29)	(30.70)	(27.60)	90%

The Group’s total revenue as of third quarter of 2023 was ₱148.20 million, a 15% decrease from the same period of 2022 mainly caused by the decrease in revenues of ₱22.67 million under enterprise services and ₱9.25 million under mobile consumer services. Majority of the revenues is from enterprise services which generated ₱105.05 million or 71% of total revenue followed by other services and mobile consumer services which generated ₱37.63 million and ₱5.52 million, respectively.

The blended cost of services went down from ₱119.02 million in September 30, 2022 to ₱108.13 million in September 30, 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 beginning 2023.

General and administrative expenses (GAEX) increased by 68%, from ₱61.43 million as of Q3 2022 to ₱103.17 million for the same period in 2023. The increase was primarily brought about by the reclassification from COS to GAEX salaries and wages, as previously mentioned; and additional management, technical, sales, and marketing manpower and sales/marketing initiatives, which are imperative to continuously achieve growth in order to implement expansion as part of the Company’s plan. Likewise, the Group recognized impairment loss for its investment in Altitude Games Pte. Ltd. (“Altitude Games”) amounting to ₱16.03 as consequence of the sale of assets and business of Altitude Games executed in April 2023.

The Company also shares in the recorded net losses of the associate companies it has invested in, which amounted to ₱11.64 million for the nine-month period ended September 30, 2023 (a 298% decline from equity in net earnings of associates as of third quarter of 2022).

Under “Other Income, Charges, and Finance Costs-net”, Finance Costs-net recognized as of third quarter of 2023 is ₱41.17 million, 771% lower than the ₱6.14 million net finance costs recorded in the same period of 2022 which is mainly due to the waiver of interest expense from advances from stockholders (in relation

to the conversion of advances to equity). Conversely, the Company was able to record ₱43.15 million of “Other income – net”, a notable increase of 9,324% vis-à-vis the ₱0.45 million “Other charges – net” incurred in the same period of 2022 arising from the recovery and collection of the previously impaired convertible notes receivable from Altitude Games.

By the end of the third quarter of 2023, the Company generated a ₱33.57 million pre-tax loss, ₱34.78 million net loss and ₱27.60 million total comprehensive loss after effecting the ₱7.18 other comprehensive income as a result of the changes in foreign exchange rates and crypto prices by the end of the third quarter of 2023.

Consolidated total assets slightly increased from ₱602.66 million for the period ended December 31, 2022, to ₱604.10 million as of September 30, 2023. Consolidated total liabilities also slightly increased by 5% from ₱633.36 million as of December 31, 2022, to ₱662.40 million as of September 30, 2023.

Lastly, consolidated total capital deficiency went up by ₱27.60 million on September 30, 2023, from December 31, 2022, increasing the deficiency to ₱58.29 million or a 90% increase. A pro-forma balance sheet reflecting the ₱136 million debt-to-equity conversion will reflect an equity at positive ₱78 million.

### **Segment Financial Performance**

<b>For the nine-month period ended September 30, 2023 (in Php Millions)</b>	<b>Mobile Consumer Services</b>	<b>Enterprise Services</b>	<b>Other Services</b>	<b>Intersegment Adjustments</b>	<b>Consolidated</b>
<b>Total Service Revenues</b>	<b>5.52</b>	<b>128.68</b>	<b>37.64</b>	<b>(23.63)</b>	<b>148.20</b>
Operating expenses	40.70	155.31	56.63	(41.34)	211.29
Equity in net losses of associates	-	-	-	11.64	11.64
Finance costs and other charges (income) - net	(47.65)	1.13	0.53	4.83	(41.17)
<b>Total Expenses (Other Income) - net</b>	<b>(6.95)</b>	<b>156.44</b>	<b>57.16</b>	<b>(24.88)</b>	<b>181.77</b>
<b>Operating Income (Loss)</b>	<b>12.46</b>	<b>(27.76)</b>	<b>(19.53)</b>	<b>1.25</b>	<b>(33.57)</b>
Provision for income tax	(0.28)	(0.93)	-	-	(1.21)
<b>Net Income (Loss)</b>	<b>12.18</b>	<b>(28.69)</b>	<b>(19.53)</b>	<b>1.25</b>	<b>(34.78)</b>

Xurpas Group operates under mobile consumer services, enterprise services and other services segments. Prior to eliminations, for the nine-month period ended September 30, 2023, the enterprise services generated the majority of the total revenues amounting to ₱128.68 million. This is followed by other services which amounted to ₱37.64 million revenues of Storm’s subsidiary, AllCare, and mobile consumer services with a contribution amounting to ₱5.52 million.

The mobile consumer services segment (under which Xurpas parent company operates) benefitted from the sale of Altitude’s assets and business, earning ₱27.69 million net gain from the said transaction. This is recorded in the Xurpas parent company’s books.

## **Profitability**

*For the nine-month period ended September 30, 2023, compared with the nine-month period ended September 30, 2022.*

### **Revenues**

The consolidated revenues of the Group for the nine-month period ended September 30, 2023, amounted to ₱148.20 million, a decrease of 15% from ₱174.49 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	<ul style="list-style-type: none"><li>• Xurpas Enterprise</li><li>• Xurpas Parent Company</li><li>• Seer</li><li>• Xurpas Software</li></ul>
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing	<ul style="list-style-type: none"><li>• Xurpas Parent Company</li><li>• Xurpas Software</li></ul>
Other services	Revenues derived from services related to a membership-based marketplace which offers a variety of worker benefits –insurance, health checks and wellness.	<ul style="list-style-type: none"><li>• AllCare</li></ul>

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Revenues</b>						
Enterprise services	105.05	71%	127.71	73%	(22.67)	(18%)
Mobile consumer services	5.52	4%	14.76	8%	(9.25)	(63%)
Other services	37.64	25%	32.01	18%	5.63	18%
<i>Total Revenues</i>	<b>148.20</b>	<b>100%</b>	<b>174.49</b>	<b>100%</b>	<b>(26.29)</b>	<b>(15%)</b>

As of third quarter of 2023, enterprise services generated the most revenue at ₱105.05 million or 71% of total revenues. This is 18% (or ₱22.67 million) lower compared to 3Q2022 revenue of ₱127.71 million. On the other hand, revenues generated from other services, which accounts for 25% of company revenues, went up by 18% (or ₱5.63 million), from ₱32.01 million in the first three quarters of 2022 to ₱37.64 million in September 2023. This is due to the ongoing expansion of AllCare. 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 4% of the revenues or ₱5.52 million which decreased from the prior period by 63% (or ₱9.25 million).



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

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Enterprise Services</b>						
IT staff augmentation	41.78	40%	94.41	74%	(52.62)	(56%)
Custom software development	39.10	37%	30.50	24%	8.60	28%
Web 3.0 services	16.65	16%	0.40	0%	16.26	4,102%
Business solutions	4.07	4%	1.46	1%	2.61	179%
Others	3.43	3%	0.95	1%	2.48	261%
<i>Total Enterprise Services</i>	<b>105.05</b>	<b>100%</b>	<b>127.71</b>	<b>100%</b>	<b>(22.66)</b>	<b>(18%)</b>

As previously discussed, there was a 56% (or ₱53.02 million) decline in IT staff augmentation revenues, but was partly offset by the increase in custom software development and business solutions by 28% (or ₱8.60 million) and 179% (or ₱2.61 million) respectively. The Company also successfully started providing Web 3.0 services as part of its initiatives starting second half of 2022. For the first three quarters of 2023, Web 3.0 services contributed ₱16.65 million in revenues.

## Expenses

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>Expenses</b>						
Cost of Services	108.13	51%	119.02	66%	(10.90)	(9%)
General and Administrative Expenses	103.17	49%	61.43	34%	41.74	68%
<i>Total Expenses</i>	<b>211.30</b>	<b>100%</b>	<b>180.45</b>	<b>100%</b>	<b>30.85</b>	<b>17%</b>

The Group's consolidated expenses during the nine-month period ended September 30, 2023, amounted to ₱211.30 million, a 17% (or ₱30.85 million) increase from the same period of the previous year at ₱180.45 million. As of third quarter of 2023, COS accounted for the bulk of expenses, totaling ₱108.13 million or 51% of the Group's consolidated expenses. For the same period in 2022, COS amounted to ₱119.02 million, which comprised 66% of overall expenses.

### Cost of Services

In PhP Millions	For the nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	%	Amount	%		
<b>Cost of Services</b>						
Salaries, wages and employee benefits	54.25	50%	76.29	65%	(22.04)	(29%)
Outside services	40.47	37%	20.12	17%	20.35	101%
Outsourced services	7.01	6%	13.77	12%	(6.75)	(49%)
Web hosting	2.87	3%	2.14	2%	0.73	34%
Others	3.53	3%	6.71	6%	(3.18)	(47%)
<i>Total Expenses</i>	<b>108.13</b>	<b>100%</b>	<b>119.02</b>	<b>100%</b>	<b>(10.90)</b>	<b>(9%)</b>

The cost of services (COS) as of 3Q2023 amounted to ₱108.13 million, a decrease from the same period of the previous year of ₱119.02 million. 50% of cost of services came from salaries and wages at ₱54.25 million and had a 29% decrease from the prior year of the same period. As mentioned, this is a result of the reclassification from COS to GAEX salaries and wages due to internal reorganization. In contrast, outside services increased by 101% from ₱20.12 million as of 3Q2022 to ₱40.47 million as of 3Q2023, 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 nine-month periods ended September 30					
	2023		2022		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
<b>General and Administrative Expenses</b>						
Salaries, wages and employee benefits	61.87	60%	27.50	45%	34.36	125%
Provision for impairment loss	17.82	17%	2.36	4%	15.46	656%
Professional fees	5.03	5%	8.33	14%	(3.30)	(40%)
Marketing and promotions	3.14	3%	4.80	8%	(1.66)	(35%)
Others	15.32	15%	18.43	30%	(3.12)	(17%)
<b>Total Expenses</b>	<b>103.17</b>	<b>100%</b>	<b>61.43</b>	<b>100%</b>	<b>41.74</b>	<b>68%</b>

General and administrative expenses (GAEX) relating to the Group's operations, for the first three quarters of 2023 amounted to ₱103.17 million, higher by 68% compared to previous year's same period level of ₱61.43 million. Salaries and wages accounted for 60% in the first three quarters of 2023 and increased by 125% vis-à-vis same period in 2022 caused by the reclassification from COS to GAEX salaries and wages and additional management manpower. Provision for impairment loss, on the other hand, mainly pertains to impairment of investment in Altitude Games Pte. Ltd. and bad debts expense recognized for the period amounting to ₱16.03 million and ₱1.79 million, respectively. Professional fees, marketing and promotions and other expenses all decreased by 40%, 35% and 17%, respectively.

Examining further the salaries and wages under COS and GAEX, should the periods between the first three quarters in 2022 and 2023 be aligned or made comparable, due to the reclassification brought by the reorganization under entities Xurpas, Xurpas Enterprise, Xurpas Software and Seer, it will result to a 13% increase in total salaries and wages. A decrease of 9% under COS and increase of 54% in GAEX salaries and wages due to additional management manpower and sales and marketing initiatives which are imperative to implement the Company's growth and expansion plans.

#### **Salaries and Wages**

*Xurpas, Xurpas Enterprise, Xurpas Software & Seer*

	As of 3Q 2022 Reclassified	As of 3Q 2023	Inc/(Dec)	%
COS	59.84	54.25	(5.59)	-9%
GAEX	33.36	51.27	17.91	54%
	93.20	105.52	12.32	13%

#### **Equity in Net Losses of Associates**

The equity of the Group in the net losses of its associate companies for the nine-month period ended September 30, 2023, amounted to ₱11.64 million, 298% lower than the ₱5.89 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 (Income) – net**

The Company recognized ₱1.98 million of net finance costs as of 3Q2023, a 65% decline from the ₱5.69 million net finance costs in 2022. During the period, Messrs. Nollado and Garcia agreed to the waiver of interest expense on the advances of the founders, starting January 1, 2023 resulting to the ₱3.27 million or 55% decrease in interest expense.

### Other Costs (Income) -net

For the nine-month period ended September 30, 2023, the Group posted other income - net of ₱43.15 million, a 9,769% improvement from the ₱0.45 million net other charges posted in the same period in 2022. This resulted mainly from the recovery and collection of convertible notes receivable from Altitude. The Group was able to recognize ₱43.73 million of combined recovery income, interest income and FOREX gain from the said transaction.

### Loss before Income Tax

The Group's loss before taxes for the nine-month period ended September 30, 2023, was ₱33.57 million, a 440% increase from the loss before income tax posted in the first three quarters of 2022 amounting to ₱6.21 million.

### Provision for Income Tax

The Group recognized ₱1.21 million provision for income tax for the nine-month period ended September 30, 2023 vis-à-vis ₱5.81 million provision in September 30, 2022. The decrease primarily resulted from lower income before income tax of Xurpas Enterprise.

### Net Loss

The Group posted a consolidated net loss of ₱34.78 million for the nine-month period ended September 30, 2023, deterioration of 189% from the previous year's same period of ₱12.02 million.

### Other Comprehensive Income

In September 2023, the Group posted a ₱7.19 million other comprehensive income. This figure was a 112% improvement from September 2022 of ₱59.07 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 3<sup>rd</sup> quarter of 2023.

	Foreign exchange rates		Cryptocurrency price	
	USD to ₱	SGD to ₱	BTC	ETH
<b>December 31, 2022</b>	USD1.00 to ₱55.76	SGD1.00 to ₱41.58	USD16,537	USD1,197
<b>September 30, 2023</b>	USD1.00 to ₱55.36	SGD1.00 to ₱40.83	USD30,473	USD1,933

### Total Comprehensive Loss

For the nine-month period ended September 30, 2023, the Group's total comprehensive loss improved by 61% brought by the other comprehensive income generated for the period. This amounts to ₱27.60 million as of end of the third quarter compared to total comprehensive loss of ₱71.09 million for the nine-month period ended September 30, 2022.

## **Financial Position**

*As of September 30, 2023, compared to December 31, 2022.*

### **Assets**

#### *Cash*

The Group's consolidated cash amounted to ₱111.50 million for the nine-month period ended September 30, 2023, a net increase of 76% or ₱48.19 million from consolidated cash of ₱63.31 million as of December 31, 2022 which is attributed to the collection of convertible notes receivable from Altitude amounting to ₱46.36 million

#### *Accounts and Other Receivables*

The Group's consolidated accounts and other receivables amounted to ₱77.32 million and ₱96.67 million as of September 30, 2023, and December 31, 2022, respectively. Change in this account was caused by the decrease in trade receivables with compensating decrease in receivable from related parties caused by the recovery and collection of note receivable from Altitude. Out of the consolidated accounts and other receivables, 89% or ₱68.92 million pertains to trade receivables – net.

#### *Contract Assets*

The Group's consolidated contract assets totaling ₱49.30 million as of December 31, 2022, decreased by ₱23.95 million as of September 30, 2023, to ₱25.35 million which was majorly caused by the decline in the account balance pertaining to Globe Telecom.

#### *Other Current Assets*

As of September 30, 2023, the Group's consolidated other current assets totaled ₱31.67 million, an increase of ₱16.59 million or 110% 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 as a result of the continuing growth in AllCare's business. These prepayments are used to fund 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 September 30, 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 September 30, 2023, the Group's consolidated investment in associates decreased from ₱294.97 million during December 31, 2022, to ₱262.71 million. Movements in this account were caused by (1) Equity in net loss of associates amounting to ₱11.64 million, (2) Gain from cumulative translation adjustment amounting to ₱0.49 million, (3) Dividends received from Altitude Games amounting to ₱4.09 million which corresponds to the Parent Company's share in the sale of Altitude Game's assets and business, and (4) Impairment of investment in Altitude Games amounting to ₱16.03 million.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱219.99 million) and SDI (₱20.64 million). Advances to SDI remain unchanged from its December 31, 2022 balance of ₱22.08 million.

### *Property and Equipment*

The Group's consolidated property and equipment was ₱4.32 million on September 30, 2023, vis-à-vis ₱5.61 million as of December 31, 2022. The Group acquired property and equipment amounting to ₱1.75 million during the nine-month period ended September 30, 2023. Depreciation expense amounted to ₱1.54 million for the nine-month period ended September 30, 2023.

### *Right-of-use (ROU) Asset*

Right-of-use asset as of September 30, 2023 and December 31, 2022 amounted to ₱1.46 million and ₱0.17 million, respectively. In the first half 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 ₱0.77 million for the first half of 2023.

### *Intangible Assets*

As of September 30, 2023, intangible assets amounted to ₱74.71 million which increased 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 September 30, 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 September 30, 2023, net book value of developed software was ₱0.91 million. Additions and amortization of developed software for the nine-month period ended September 30, 2023, amounted to ₱0.15 million and ₱0.30 million, respectively.
- Cryptocurrencies pertain to units of Bitcoin, Ethereum and USDC held by the Group as of September 30, 2023, valued at ₱25.57 million. Additions during the period amounted to ₱7.64 million while cryptocurrencies with carrying value of ₱2.65 million were disposed of. Net revaluation surplus recognized amounted to ₱7.03 million.

### *Other Noncurrent Assets*

Other noncurrent assets amounted to ₱13.86 million as of September 30, 2023. This figure is 2% 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 ₱393.65 million as of September 30, 2023. It increased by ₱6.98 million from the December 31, 2022 figure of ₱386.68 million mainly due to the increase in trade payables, deferred output VAT and payable to related parties.

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 ₱153.14 million and ₱152.35 million as of September 30, 2023 and December 31, 2022, respectively. The increase was brought about by foreign exchange revaluation of one of the loan agreements with a founder which is denominated in US Dollar.

On June 30, 2023, the memorandum of agreement between founders, Mr. Nico Jose Nollado and Mr. Fernando Jude Garcia, and Xurpas in relation to the conversion of the ₱136.52 million advances from stockholders to equity was signed. This aims to improve and strengthen Xurpas' balance sheet, and reflects the founders' confidence in the Corporation's ability to further expand its business.

On October 10, 2023, SEC provided the Company the Certificate of Approval of Valuation as to the above conversion and the Company shall subsequently issue 455,068,753 common shares from the unissued portion to the Assignors and reflect the ₱136.52 million advances from stockholders to additional equity.

#### *Loans Payable*

The Group recorded ₱37.24 million in current loans on September 30, 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 primarily due to the reclassification from noncurrent liability of Storm loans payable that will fall due in the first half of 2024.

#### *Contract Liabilities*

The Group's consolidated contract liabilities as of September 30, 2023, amounted to ₱54.71 million, an increase of 59% 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 ₱1.51 million. In January 2023, 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 ₱0.07 million and ₱1.08 million, respectively.

Current portion of the lease liability as of September 30, 2023 amounted to ₱1.02 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 September 30, 2023, outstanding balance of the loan amounted to ₱11.57 million of which ₱0.84 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 September 30, 2023 amounted to ₱0.49 million.

#### *Pension Liability*

The accrued pension of the Group was at ₱21.31 million as of September 30, 2023, which was unchanged from its levels on December 31, 2022.

## Capital Deficiency

### *Total Capital Deficiency*

The Group recorded total capital deficiency of ₱58.29 million as of September 30, 2023, a 90% increase from December 31, 2022 with a figure of ₱30.70 million. The increase is due to the total comprehensive loss recognized for the period.

A pro-forma balance sheet reflecting the ₱136.52 million debt-to-equity conversion will reflect an equity at a positive ₱78.23 million.

Equity, ending as of 3Q2023	(58.29)
Conversion of Stockholders' advances	136.52
Equity, ending (adjusted)	<u><b>78.23</b></u>

## 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

In PhP Millions	For the nine-month periods ended September 30	
	2023	2022
	Amount	Amount
Net cash provided by (used in) Operating Activities	15.60	(49.01)
Net cash provided by (used in) Investing Activities	32.28	(4.64)
Net cash provided by (used in) Financing Activities	(1.38)	98.80
Effect of foreign currency exchange changes in cash	1.69	(1.85)
Net increase in cash	48.19	43.30
Cash at beginning of period	63.31	35.95
Cash at end of period	111.50	79.25

### Cash Flows from Operating Activities

For the first nine months of 2023, operating income before changes in working capital of ₱11.97 million was coupled with the corresponding increase changes in operating assets and liabilities resulted in ₱9.12 million net cash provided by operations. Together with interest received, interest expense and income taxes paid, this resulted in a net cash provided by operating activities of ₱15.60 million, compared to net usage of ₱49.01 million, the previous period.

### Cash Flows from Investing Activities

The Group's consolidated cash flows provided by investing activities for the first nine months of 2023 was ₱32.28 million compared to ₱4.64 million used in the same period of 2022. The primary sources of cash flows from investing activities were collections from Altitude Games for the recovery of convertible notes receivable and dividends, and proceeds from sale of properties and cryptocurrencies.

### Cash Flows from Financing Activities

The cash flow used in financing activities as of third quarter of 2023 was ₱1.38 million which decreased from net cash provided of ₱98.80 million in the same period in 2022. The cash flow provided in financing activities as of 3Q2022 were mainly from the proceeds of the equity infusion. For the first three quarters of 2023, this is only composed of payments to loans payable amounting to ₱0.31 million and payment of the principal portion of lease liabilities amounting to ₱1.08 million.

### Capital Expenditure

The Group's capital expenditures for the nine-month period ended September 30, 2023, and the year ended December 31, 2022, amounted to ₱3.97 million and ₱5.34 million, respectively.

Key Financial Data In PhP Millions	September 30, 2023 Additions	December 31, 2022 Additions
Right-of-use Assets	2.07	-
Developed software	0.15	1.10
IT Equipment	1.75	4.07
Leasehold Improvements	-	-
Office Equipment	-	0.17
	3.97	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:

<b>In Percentage</b>	<b>As of and for the nine-month periods ended September 30</b>		<b>As of and for the year ended December 31, 2022</b>
	<b>2023</b>	<b>2022</b>	
<b>Liquidity Ratios</b>			
Current Ratio	<b>38%</b>	40%	37%
Quick Ratio	<b>33%</b>	37%	34%
<b>Asset-to-Equity Ratio</b>	<b>667%</b>	468%	568%
<b>Profitability Ratios</b>			
Net Loss Margin	<b>(15%)</b>	(3%)	(23%)
Gross Margin	<b>27%</b>	32%	25%
Operating Margin	<b>(19%)</b>	4%	(23%)
Return on Total Assets	<b>(4%)</b>	(1%)	(9%)
Return on Equity	<b>(23%)</b>	(4%)	(49%)
<b>Debt Ratios</b>			
Debt-to-Equity Ratio	<b>7.31x</b>	4.53x	5.97x
Interest Coverage Ratio	<b>-11.23x</b>	-0.04x	(6.42x)

#### **Liquidity Ratios**

Current ratio as of September 30, 2023 and December 31, 2022 was 38% and 37%, respectively and was primarily due to the increase in cash. Meanwhile, quick ratio was at 33% and 34% as of September 30, 2023 and December 31, 2022, respectively.

#### **Asset-to-Equity Ratio**

There was an increase in the asset-to-equity ratio from 568% as of December 31, 2022, to 667% on September 30, 2023 due to the increase in deficit attributable to equity holders of the Parent Company.

#### **Profitability Ratios**

Net loss margin, operating margin, return on total assets and return on equity are at -15%, -19%, -4% and -23% respectively. Gross margin is at 27% which is a slight decrease from the same period of last year's gross margin. The overall decrease in the profitability ratios was caused by the combined effect of decline in revenues and increase in operating expenses.

#### **Debt Ratio**

Debt-to-equity on September 30, 2023, increased to 7.31x from 5.97x as of December 31, 2022. The decrease in the gearing ratio was attributed to the increase in liabilities and deficit attributable to equity holders of the Parent Company compared with the same period of last year. Interest coverage ratio as of September 30, 2023, was at -11.23x compared to -0.04x on September 30, 2022.

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

**Current Ratios**

1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
2. Quick ratio	$\frac{\text{Current assets} - \text{Other current assets}}{\text{Current liabilities}}$

**Asset-to-equity Ratio**

$\frac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
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**Profitability Ratios**

1. Net income ratio	$\frac{\text{Net income attributable to Parent Company}}{\text{Service income} + \text{Sale of goods}}$
2. Gross margin	$\frac{(\text{Service income} + \text{Sale of goods}) - (\text{Cost of services} + \text{Cost of goods sold})}{\text{Service income} + \text{Sale of goods}}$
3. Operating margin	$\frac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income} + \text{Sale of goods}}$
4. Return on total assets	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
5. Return on total equity	$\frac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$

**Debt Ratios**

1. Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

- i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds from operations or sale of assets, obtain additional advances from its stockholders as necessary, 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 has received the proceeds from the sale and discharge of corresponding liabilities. The incorporation of Xurpas Software Inc and Xurpas Pty Ltd (Xurpas Australia) took place on April and July 2023 respectively. The Certificate of Approval of Valuation from SEC has already been received by the Company on October 2023 which will consequently allow the recognition of the debt-to-equity conversion of the advances to stockholders to additional equity amounting to ₱136.52 million which aims to improve the balance sheet of the Company. Aside from these, 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.

## **PART II--OTHER INFORMATION**

There is 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 NOV 14 2023.

Issuer: **XURPAS INC.**

By:

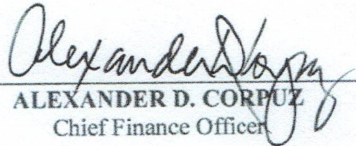


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**JONATHAN GERARD A.**

**GURANGO**

Chairman of the Board  
and Chief Executive Officer



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**ALEXANDER D. CORPUZ**

Chief Finance Officer