



April 22, 2021

THE PHILIPPINE STOCK EXCHANGE, INC.

PSE Tower, One Bonifacio High Street
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

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

Re: **2GO Group, Inc. - Amended Definitive Information Statement**

Ladies and Gentlemen:

Please find attached the Amended Definitive Information Statement (**DIS**) of 2GO Group, Inc. which was approved by the Securities and Exchange Commission En Banc today, April 22, 2021.

The Amended DIS reflects the change in the nominee for Independent Director from Joseph C. Tan to Paquito N. Ochoa, Jr.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Elmer B. Serrano", written over a light blue rectangular background.

Elmer B. Serrano
Corporate Secretary

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ELMER B. SERRANO
Corporate Secretary

(Contract Person)

(02) 8528-7171

(Company Telephone Number)

1	2
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3	1
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Month Day
(Fiscal Year)

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(Form Type)

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Month Day
(Annual Meeting)

Definitive Information Statement

(Secondary License Type, If Applicable)

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

5,118

Total No. of Stockholders

	Total Finance

Domestic

of borrowings

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier



STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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. **2GO Group, Inc.**
 Name of the Registrant as specified in its charter
3. **Philippines**
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **4409**
5. BIR Tax Identification Code **000-313-401-000**
6. **8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City**
 Address of principal office Postal Code **1302**
7. **(02) 8528-7171**
 Registrant's telephone numbers, including area code
8. **April 23, 2021, 9:00 a.m., (via Remote Communication)¹**
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders
March 30, 2021
10. 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
Common Stock	2,462,146,316
11. Are any or all of registrant's securities listed in a Stock Exchange?
YES [X] NO []
 If yes, disclose the name of such Stock Exchange and the class of securities therein:
Philippine Stock Exchange - Common Stock

¹ Given the current circumstances, the meeting will be conducted virtually.

Notice of Annual Stockholders' Meeting

To all Stockholders:

The annual meeting of the stockholders of **2GO GROUP, INC.** (the "Corporation") will be held on **April 23, 2021, Friday at 9:00 A.M.** Given the current circumstances, the meeting will be conducted virtually and voting conducted *in absentia* through the Corporation's secure online voting facility.

Agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on June 18, 2020
4. Approval of Annual Report for 2020
5. Approval and Ratification of the Acts of the Board of Directors and Management
6. Election of Directors for 2021-2022
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

Please refer to **Annex A** for a brief explanation of each agenda item for approval.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on **March 24, 2021** as the record date for the determination of stockholders entitled to the notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

The conduct of the meeting will be streamed live, and stockholders may attend the meeting by registering via asmregister.2go.com.ph and submitting the supporting documents listed there until **April 15, 2021**. All information submitted shall be verified and validated by the Corporate Secretary.

Stockholders who wish to cast votes through a proxy may accomplish the proxy form and submit the same on or before **April 15, 2021**. In view of the community quarantine, scanned forms will be accepted. Paper copies shall be sent to the office of the Corporate Secretary at the 33rd Floor, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City once the community quarantine is lifted.

Stockholders who successfully registered can cast their votes *in absentia* through the Corporation's secure online voting facility for this meeting. In order to participate remotely, they will also be provided with access to the meeting that will be held virtually. The "**Guidelines for Participation via Remote Communication and Voting in Absentia**" as appended to the Definitive Information Statement labeled as **Schedule A** will be posted in the Corporation's website www.2go.com.ph/asm2021 and PSE EDGE.

Pasig City, 15 March 2021.



ELMER B. SERRANO
Corporate Secretary

Annex A

Rationale for Agenda Items

Agenda Item 3: Approval of Minutes of Annual Stockholders' Meeting held on June 18, 2020

The draft minutes of the annual stockholders' meeting held on June 18, 2020 were posted on the Company's website within twenty-four (24) hours from adjournment of the meeting. These minutes are subject to stockholders' approval during this year's stockholders' meeting. Results of the 2020 annual stockholders' meeting were likewise timely disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange.

Agenda Item 4: Approval of Annual Report for 2020

The Company's 2020 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (AFS) of the Company for the year ended 31 December 2020. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (SGV) which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Company. Any stockholder who would like to receive a hard or soft copy of the 2020 Annual Report may do so through the Investor Relations Office. The 2020 Annual Report is also posted on the Company's website.

Agenda Item 5: General Ratification of Acts of the Board of Directors, Board Committees and Management during Term

Actions and proceedings of the Board of Directors, the Board Committees, and the Management during their term or from the last Annual Meeting held on June 18, 2020 to the date of this year's meeting will be subject to stockholders' approval and ratification.

Agenda Item 6: Election of Directors for 2021-2022

Nominees for election as members of the Board of Directors for 2021-2022, including the independent directors, have been pre-qualified by the Corporate Governance Committee. The Nominees' proven competence, expertise and qualifications based on current regulatory standards, will help sustain the Company's solid performance for the benefit of all its stockholders. The profiles of the nominees are presented in the Definitive Information Statement for reference. Directors for 2021-2022 will be elected during this year's stockholders' meeting.

Agenda Item 7: Appointment of the External Auditor

Upon recommendation of the Audit Committee, the Board approved and endorses for stockholders' approval the appointment of SGV as external auditor for 2021. SGV is one of the top auditing firms in the country.

PROXY

The undersigned stockholder of 2GO GROUP, INC. (2GO) appoints _____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of 2GO on April 23, 2021 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of Minutes of Stockholders' Meeting held on June 18, 2020

___ Yes ___ No ___ Abstain

2. Approval of 2020 Annual Report

___ Yes ___ No ___ Abstain

3. Ratification of Acts and Resolutions of the Board of Directors, Committees and Management during Term

___ Yes ___ No ___ Abstain

5. Appointment of SyCip Gorres Velayo & Co. as External Auditor for 2021

___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

___ Yes ___ No ___ Abstain

4. Election of Directors for 2021-2022

___ a) Vote for all nominees listed below:

- (1) Dennis A. Uy
- (2) Francis C. Chua
- (3) Frederic C. DyBuncio
- (4) Elmer B. Serrano
- (5) Ma. Concepcion F. de Claro
- (6) Chryss Alfonsus V. Damuy
- (7) Paquito N. Ochoa, Jr.
- (8) Laurito E. Serrano
- (9) Jesus G. Dureza

___ b) Withhold authority for all nominees listed above

___ c) Vote for the nominees listed below:

Printed Name of Stockholder

No. of Share/s

Signature of Stockholder /
Authorized Signatory

Date

THE PROXY SHOULD BE SUBMITTED TO THE OFFICE OF THE CORPORATE SECRETARY AT LEAST FIVE (5) BUSINESS DAYS BEFORE THE DATE OF THE MEETING OR UNTIL **APRIL 15, 2021**, IN ACCORDANCE WITH THE BY-LAWS OF THE COMPANY.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date of meeting	: April 23, 2021
Time of meeting	: 9:00 a.m.
Place of meeting	: Given the current circumstances, the meeting will be conducted virtually.
Approximate date of mailing of this Statement	: March 30, 2021
Registrant's Mailing Address	: 8 th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City

Statement that Company Not Soliciting Proxies

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Voting Securities

The record date for purposes of determining the stockholders of **2GO Group, Inc. (2GO or the Group or the Company)** entitled to notice of, and to vote, during the Annual Stockholders' Meeting is March 24, 2021 (Record Date). The total number of shares outstanding and entitled to vote in the meeting is 2,462,146,316 shares (net of 38,516,500 treasury shares). Stockholders are entitled to cumulative voting in the election of the board of directors, as provided under Section 23 of the Revised Corporation Code.

In light of the community quarantines imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, this year's Annual Stockholders' Meeting will be conducted virtually, and will be broadcasted via livestreaming accessible to registered stockholders, the details of which can be found in www.2go.com.ph/asm2021. The Company will record the video the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its special meeting held on March 10, 2021, adopted a resolution allowing stockholders to participate, and to exercise their right to vote, via remote communication or *in absentia*.

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at asmregister.2go.com.ph on or before **April 15, 2021 (Thursday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who will participate through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting. Voting will be made through a secure online voting facility accessible only to verified stockholders to protect the integrity and secrecy of votes cast.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participation via Remote Communication and Voting in Absentia" appended as Schedule A to this Information Statement.

Item 2. Dissenters' Right of Appraisal

2GO Group, Inc. (2GO or the **Group** or the **Company**) respects the inherent rights of shareholders under the law. 2GO recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Any stockholder who wishes to exercise his appraisal right must have voted against the proposed corporate action, must make a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares as well as comply with all other requirements provided under Title X of the Corporation Code. Failure to make the demand within such period or comply with the requirements provided

under Title X of the Corporation Code shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment. Upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

There is no action proposed to be presented to the stockholders that may occasion the exercise of appraisal rights.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of 2GO at any time since the beginning of the last fiscal year or any nominee for election as a director of 2GO or any associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting other than their re-election to their respective positions.

No director has informed 2GO in writing that he intends to oppose any action to be taken by 2GO at the meeting.

B. CONTROL & COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

- (1) The Registrant has 2,462,146,316 outstanding common shares (net of treasury shares) as of February 28, 2021, 741,925,211 common shares or 30.13% of which have foreign ownership. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.
- (2) The record date for determining stockholders entitled to notice and to vote during the annual stockholders' meeting and also to this information statement is **March 24, 2021**.
- (3) At each election for directors, every common stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his vote by giving one candidate as many votes as the number of such directors multiplied by the number of shares shall equal, or by distributing such votes on the same principle among any number of candidates. The Company also provides an online voting facility where certified stockholders can cast their votes if not attending in person.

For this year's meeting, the Board of Directors has adopted a resolution allowing stockholders entitled to notice of, and to attend, the meeting, to exercise their right to vote *in absentia*. Registration and voting procedures are further detailed in Item 19.

- (4) Security ownership of certain record and beneficial owners and management:

Security ownership of certain record and beneficial owners of five per centum (5%) or more of the outstanding capital stock of the Registrant as of February 28, 2021:

Title of Class	Name and Address of Record Owner and Relationship with 2GO	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common	KGLI-NM Holdings, Inc. (KGLI-NM) 1103 Pearl of the Orient Condominium, Roxas Boulevard, Ermita, Manila	- Same -	Filipino	867,239,109	35.22%
Common	SM Investments Corporation (SMIC) 10 th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1, Pasay City	- Same -	Filipino	750,754,812	30.49%
Common	China-ASEAN Marine B.V. (CAMBV) 67/F Two International Finance	- Same -	Dutch	550,558,388	22.36%

Security Ownership of Management – Record and Beneficial Owners as of February 28, 2021:

Title of Class	Name of Beneficial Owner and Position	Citizenship	Amount and Nature of Ownership Direct (D) or Indirect (I)	Class of Securities Voting	Percent of Class
Common	Dennis A. Uy Chairman	Filipino	1,100 (D)	Voting	0.00%
Common	Francis C. Chua Vice-Chairman	Filipino	1,000 (D) 9,000 (I)	Voting	0.00%
Common	Frederic C. DyBuncio President / Chief Executive Officer	Filipino	100 (D)	Voting	0.00%
Common	Elmer B. Serrano Director	Filipino	100 (D)	Voting	0.00%
Common	Ma. Concepcion F. de Claro Director	Filipino	100 (D)	Voting	0.00%
Common	Joseph C. Tan (†) Independent Director	Filipino	100 (D)	Voting	0.00%
Common	Laurito E. Serrano Independent Director	Filipino	100 (D)	Voting	0.00%
Common	Chryss Alfonsus V. Damuy Director	Filipino	100 (D)	Voting	0.00%
Common	Jesus G. Dureza Independent Director	Filipino	100 (D)	Voting	0.00%

Security Ownership of the Directors and Officers in 2GO: Common is 11,800 shares; Preferred – none.

Voting trust holders of 5% or More

No person holds more than five per centum (5%) of a class under a voting trust agreement or similar arrangement.

SMIC Acquisition of Shares in 2GO and Tender Offer

In a disclosure dated 22 March 2021, SM Investments Corporation (SMIC) filed a Tender Offer Report to acquire up to 1,160,833,116 common shares representing 47.15% of the total issued and outstanding capital stock of 2GO at an offer price of Php8.50 per share in compliance with the Securities Regulation Code and its Implementing Rules and Regulations. This is pursuant to the Share Purchase Agreement dated 18 March 2021 executed by SMIC with Chelsea Logistics and Infrastructure Holdings Corp. and KGLI-NM Holdings, Inc. (KGLI-NM) for SMIC's acquisition of 550,558,388 common shares of 2GO owned by KGLI-NM representing 22.36% of the total outstanding stock of 2GO at a price of Php8.50 per share. Upon completion of the said transaction, SMIC will increase its current shareholding in 2GO from 30.49% to 52.85%.

The Tender Offer Period is from 22 March 2021 until 21 April 2021. Settlement Date is scheduled ten (10) business days following the close of the tender offer period of on or before 5 May 2021.

Item 5. Directors and Executive Officers

DIRECTORS

The following are the business experience/s of the members of the Board during the last five (5) years:

Mr. Dennis A. Uy, 46, Filipino, is the Chairman of the Board of Directors of 2GO Group, Inc. He is also the Founder, Chairman, and Chief Executive Officer of UDENNA Corporation, a holding company with a diverse business portfolio, including interests in petroleum, retail and distribution, shipping and logistics, real estate development, infrastructure, education, leisure and gaming, and telecommunications.

He is the Chairman and Chief Strategy Officer of Phoenix Petroleum Philippines, Inc., the country's leading independent oil company, and Chairman of Chelsea Logistics Holdings Corporation, a dominant player in the shipping and logistics industry.

He is the Chairman of UDENNA Land Corporation, the developer of real estate projects such as Clark Global City, Calaca Industrial Seaport Park, and UDENNA Tower. He is the Chairman and President of UDENNA Infrastructure Corp., Chairman of PH Resorts Group Holdings Corp., developer of The Emerald in Mactan, Cebu, Chairman of Enderun Colleges, Inc., and Chairman and CEO of Dennison Holdings.

He is Chairman and Chief Executive Officer of Dito Telecommunity Corporation, the Philippines' third major telco.

He is Chairman and Chief Executive Officer of Dito CME Holdings Corporation, Udenna's foray into the media and entertainment space.

Mr. Uy is also the Chairman of Phoenix Philippines Foundation, UDENNA Foundation, Siklab Atletang Pilipinas Sports Foundation, and LIFE Fund. He was appointed as Presidential Adviser on Sports in 2016 and as Honorary Consul of Kazakhstan to the Philippines in 2011.

Mr. Uy is a graduate of De La Salle University with a degree in Business Management.

Dr. Francis C. Chua, 72, Filipino, is the Vice Chairman of the Board of Directors of 2GO. He is currently the Founding Chairman of the International Chamber of Commerce, Philippines (ICCP). He is also the Chairman Emeritus of the Philippine Chamber of Commerce and Industry Inc. (PCCI), Founding Chairman of the Philippine Silk Road International Chamber of Commerce (PSRICC), and Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry Inc. (FFCCCII). He has served as President of the PCCI (2010-2011), The Chamber of Commerce of the Philippine Islands (2004-2006), and the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc. (FFCCCII) (2005-2007). In 2007, he was appointed as Special Envoy for Trade and Investments by the President of the Philippines. Currently, he is the Honorary Consul General of the Republic of Peru in the Philippines since 2006. Co-founder of Pearl Pay, a fintech company, Vice Chairman and ExeCom Chair of the Bank of Commerce, Vice Chairman of Basic Energy, Founding Chairman of BA Securities and the Chairman and President of BA Group of Companies. Dr. Chua is also Chairman Emeritus of Employers' Confederation of the Philippines (ECOP). He also serves as Commissioner of Tzu Chi Foundation. Dr. Chua is an ASEAN Industrial Engineer and is a Graduate of B.S. Industrial Engineering from the University of the Philippines. He was conferred Doctor of Management (Honoris Causa) by the Polytechnic University of the Philippines, Doctor of Humanities (Honoris Causa) by the Central Luzon State University (CLSU) in 2006 and Doctor of Business Technology (Honoris Causa) from EARIST also in 2006. AFFILIATIONS: Chairman of DongFeng Automotive, Inc., Chairman

& President for Philippine Satellite Corp., Chairman & President for CLMC Group of Companies, Chairman for Philippine Silkroad International Chamber of Commerce, President of Philippine Business Center, Inc. Founding Chairman at BA Securities, Inc. (Philippines). Vice Chairman of 2GO Group Vice Chairman of Basic Energy Corporation Chairman of the Foundation for Crime Prevention, Founding Chairman for International Chamber of Commerce Philippines Chairman at Green Army Philippines Network Foundation, Inc. Board of Director at Hua Kiao University, China Board of Director of Fuchou Normal University Awardee of the UP Alumni Award for Community Service Dr. Jose Rizal Award for Business and Entrepreneurship Board of Regent at the Universidad de Manila Previous Board of Trustees at Central Luzon State University Previous Board of Trustees at the Technical Education and Skills Development Authority (TESDA) Previous member of the Board of Regents of the University of the Philippines President Emeritus and Board of Director of the Philippine Institute of Quezon City Exemplary Alumni of Xavier School Outstanding Manileños of 2018.

Mr. Frederic C. DyBuncio, 61, Filipino, is the President/Chief Executive Officer and a director of 2GO and SM Investments Corporation. He is the Vice Chairman of the Board of Directors of Atlas Consolidated Mining and Development Corporation.

Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.

He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at Asian Institute of Management.

Elmer B. Serrano, 53, Filipino, is a Director and Corporate Secretary of 2GO. He is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking and Finance. In 2020, he was named *Asia Best Lawyer* by the International Financial Law Review (IFLR). He is also consistently ranked as a leading lawyer by the Legal500 Asia Pacific and IFLR1000. Mr. Serrano is a director of 2GO Group, Inc. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank, and also serves as the Corporate Information Officer of BDO Unibank and BDO Leasing and Finance, Inc. He is also Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines and PDS Group. Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

Ms. Ma. Concepcion F. de Claro, 62, Filipino, is a member of the Board of Directors of 2GO, PH Resorts Group Holdings, Inc., subsidiaries and joint venture companies of Phoenix Petroleum Philippines, Inc. (PPPI) and Sagittarius Mines, Inc. She is also the Chief Financial Officer of Phoenix Petroleum Philippines, Inc.

She served as the Chief Operating Officer of Alsons Corporation from March 2011 to 2017 and as member of the Board of Alsons Power Holdings Corporation from October 2011 to 2017. She was previously a member of the Board of Directors of Manila North Harbour Port, Inc. (from April 2011-June 2012) and Limay Energen Corporation (from July 2011 to March 2012), Chief Financial Officer of Two San Isidro-SIAI Assets, Inc. (from March 2011 to March 2014), and Vice President for Corporate Planning and Services and consultant for Mergers & Acquisitions projects of Petron Corporation (November 2008 - September 2010).

She is a Certified Public Accountant with a B.S. Commerce degree, Major in Accounting, magna cum laude, from Colegio de San Juan de Letran.

Atty. Joseph C. Tan (†)² 63, Filipino, was the lead Independent Director of 2GO and the Founding Partner of MOST Law Firm from September 2006 to April 2021. He was Special Counsel for the Agus Cruz & Manzano Law Office from 2004 to August 2006. He was an Associate of Puno & Puno Law Offices from 1991 to 1995.

² Passed away on April 15, 2021.

He was an Independent Director of Premium Leisure Corp., Pacific Online Systems Corporation, and LMG Chemicals Corporation. He was also a director of Philippine Bank of Communications from September 2010 to August 2011.

Atty. Tan held a Bachelor of Arts with a Major in Business Administration degree from University of San Francisco, USA (Class of 1978). He also held a Bachelor of Laws degree from the Ateneo de Manila College of Law, Makati City, graduating with honors (Class of 1985).

Mr. Laurito E. Serrano, 60, Filipino, is an Independent Director of 2GO. He concurrently serves as a member of the Board of Directors of Rizal Commercial Banking Corporation (RCBC), Pacific Online Systems Corporation (POSC), Atlas Mining & Development Corporation (Atlas), Carmen Copper Corporation (CCC), Axelum Resources Corp. (AXLM), and MRT Development Corporation (MRTDC).

Mr. Serrano's more than 30 years of professional experience in corporate finance advisory work covers the development and promotion of financial advisory and special project engagements involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, workout deals, project studies, business acquisitions, and debt and equity capital-raising.

Mr. Serrano was a Partner in the Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company (SGV&Co.) and started his career in the Audit and Business Advisory Group also of SGV&Co.. Mr. Serrano is a Certified Public Accountant and graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science Degree in Commerce. He obtained his Master's degree in Business Administration (MBA) from the Harvard Graduate School of Business in Boston, Massachusetts, U.S.A.

Mr. Chryss Alfonsus V. Damuy, 47, Filipino, has been a member of the Board of Directors of 2GO since 2018 and of Chelsea Logistics and Infrastructure Holdings Corp. since its incorporation, and was consequently appointed as its President & CEO on March 2017. He is the Chief Operating Officer of Chelsea Shipping Corp. and its subsidiaries and the Vice Chairman of Trans-Asia Shipping Lines, Inc. and subsidiaries.

He was Vice President for Finance of Phoenix Petroleum Philippines, Inc. He also served as the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries, including Fresh Asia Produce as Accounting Manager, and Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant and Branch Officer of the Regional Educators Multi-Purpose Cooperative. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College. He is a Certified Public Accountant.

Atty. Jesus G. Dureza, 73, is an Independent Director of 2GO. Atty. Dureza earned his Bachelor of Arts degree from the Ateneo de Davao University. He earned his law degree from the same university in 1973 and placed 10th in the Philippine Bar Examination. He then became editor of the Mindanao Times, correspondent for Manila Times, Manila Bulletin and Associated Press, and hosted Davao's first TV talk show "Brainstorm". Atty. Dureza became Davao Congressman in 1987 and served until 1993. He was appointed by President Fidel V. Ramos as Presidential Assistant for Mindanao and chairman of the Mindanao Development Authority. In 2002, he founded the Advocacy Mindanow Foundation. During the administration of President Gloria Macapagal-Arroyo, he served in various capacities as Chairman of the Government Peace Panel with the MILF, as Press Secretary, Presidential Peace Adviser, Chief Presidential Legal Counsel and Chairman of Mindanao Development Authority. Atty. Dureza was also a senior partner of the Rama Dureza Abarques Law Firm. President Rodrigo Duterte appointed him as Presidential Peace Adviser until he honorably resigned in November 2018. He is now back as Chairman-CEO of the Advocacy Mindanow Foundation and as publisher of the Mindanao Times.

EXECUTIVE OFFICERS

The following are the business experience/s of the officers during the last five years:

Mr. William Charles Howell has been the Chief Financial Officer and Treasurer of 2GO since July 2017. He also serves as Vice President of Investments Portfolio at SM Investments Corporation. Previously, he served as CFO and Treasurer of Philippine Geothermal Production Company, Inc. Prior, Mr. Howell held roles in Corporate Development at JDS Uniphase Corporation (now Viavi Solutions Inc.), a technology company listed on the

NASDAQ; and Transaction Advisory at Ernst & Young in the San Francisco Bay Area. He brings broad management experience and expertise in accounting, finance, tax, and mergers & acquisitions in various industries including software and technology, distribution, real estate, and energy, among others. He is a Certified Public Accountant in the states of California and Georgia.

Mr. Waldo Basilla is the Chief Operating Officer of 2GO. He served as Director of Logistics and Operations of American President Lines for 12 years until he became its Managing Director in Cambodia and Bangladesh. He then became a Senior Director and eventually Head of Retail of Singapore-based APL Logistics, serving the company for a total of 14 years. Mr. Basilla holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University and a Masters of Business Administration degree from the University of the Philippines.

Other Corporate Officers

Atty. Arthur A. Sy has been the Assistant Corporate Secretary of 2GO since April 2019. He is the Senior Vice President of Corporate Legal Affairs and Assistant Corporate Secretary at SM Investments Corporation, and is the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. A member of the New York Bar, Mr. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo Law School.

Nomination of Members of the Board of Directors

Any stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors may be nominated for election to the Board of Directors of the Company. For this purpose, the Company's Amended By-laws incorporated the procedures for the nomination and election of Independent Directors under Rule 38 of the Securities Regulation Code.

As of September 2017, the Nomination Committee has been folded into the Corporate Governance Committee. The members of the Corporate Governance Committee, all independent directors, are as follows:

Chairman:	Joseph C. Tan (†)
Members:	Laurito E. Serrano
	Jesus G. Dureza

The Corporate Governance Committee passes upon the qualifications of, and pre-screens, all candidates and prepares the list of pre-qualified nominees for directorship of the Company, including independent directors for the 2021-2022.

As of date, the following have been nominated for election to the Board of Directors for the ensuing year, 2021-2022:

1. Dennis A. Uy
2. Frederic C. DyBuncio
3. Francis C. Chua
4. Ma. Concepcion F. de Claro
5. Elmer B. Serrano
6. Laurito E. Serrano
7. Paquito N. Ochoa, Jr.
8. Chryss Alfonsus V. Damuy
9. Jesus G. Dureza

The nominees for independent directors for 2021-2022 are Laurito E. Serrano, Jesus G. Dureza, and Paquito N. Ochoa, Jr.

Mr. Ochoa, 60, is the President of Manuel L. Quezon University. He is also the President of PNO Management and Legal Consulting. He served as partner of the De Mesa and Ochoa Law Offices and later in Marcos Ochoa Serapio Tan Law Firm from 2005 to 2006. Mr. Ochoa served as City Administrator of Quezon City under then Mayor Feliciano Belmonte, Jr. from 2001-2010. He also served as Executive Secretary under President Benigno Aquino III from 2010 to 2016.

Mr. Ochoa obtained his undergraduate degree in Economics from University of Santo Tomas, and his Juris Doctor degree from Ateneo Law School, and was admitted to the Philippine Bar in 1986.

Period in Which Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year and until the election and qualification of their successors.

Terms of Office of a Director

The nine (9) directors shall be stockholders and shall be elected annually by the stockholders owning a majority of the outstanding common shares of 2GO for a term of one (1) year and shall serve until the election and qualification of their successors.

Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

Significant Employees

The Corporation considers the contribution of every employee important to the fulfillment of its goals.

Family Relationships

There are no other family relationships within the fourth degree of consanguinity known to 2GO.

Involvement in Certain Legal Proceedings

To the knowledge and/or information of 2GO, none of its nominees for election as directors, the present members of its Board of Directors or its executive officers, is presently or during the last five (5) years been involved in any legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve 2GO and its stockholders.

With respect to its nominees for election as directors, the present members of its Board of Directors and its executive officers, 2GO is not aware that during the past five (5) years up to even date of: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment of such person in a criminal proceeding, excluding traffic violations and other minor offenses; (c) such person being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such person's involvement in any type of business, securities, commodities or banking activities; and (d) such person being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Certain Relationships and Related Transactions

In the ordinary course of business, 2GO has transactions with subsidiaries, associates, and other related companies consisting of ship management services, charter hire, management services, courier services, purchases of steward supplies, availment of stevedoring, arrastre, trucking, rental and repair services. 2GO needs these services to complement its services to its freight and passage customers.

The identification of the related parties transacting business with 2GO and how the transaction prices were determined by the parties are discussed in the Notes to the financial statements as of December 31, 2020 (see "Note 20. Related Parties"). 2GO will continue to engage the services of these related parties as long as it is economically beneficial to both parties.

The Corporation has no transaction during the last two years or proposed transaction to which it was or is to be a party in which any of its directors, officers, or nominees for election as directors or any member of the immediate family of any of the said persons had or is to have a direct or indirect material interest.

Moreover, 2GO and its subsidiaries do not have existing or proposed transactions with parties that are considered outside of the definition of “related parties” but have the influence of negotiating the terms of material transactions that may not be available to other, more clearly independent parties on an arm’s length basis.

Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No Director has declined to stand for re-election to the Board of Directors since the date of the last annual meeting because of a disagreement with 2GO on matters relating to the its operations, policies and practices. Resignations by previous members of the Board have been made voluntarily and not due to disagreement on any matter relating to the 2GO’s operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

The following table summarizes certain information regarding compensation paid or accrued during the last three fiscal years and to be paid in the ensuing fiscal year to the Chief Executive Officer and each of the four other most highly compensated executive officers. For clarity, the compensation paid is for their duties as part of the management team and not in consideration of their duties as directors of 2GO:

Board Remuneration:

The members of the Board of Directors received the following remuneration in 2020:

Name	Total
Dennis A. Uy	1,575,000
Francis C. Chua	1,050,000
Frederic C. DyBuncio	1,050,000
Elmer B. Serrano	1,050,000
Ma. Concepcion F. de Claro	1,050,000
Joseph C. Tan (†)	1,050,000
Laurito E. Serrano	1,050,000
Chryss Alfonsus V. Damuy	1,050,000
Jesus G. Dureza	1,020,000

SUMMARY OF COMPENSATION TABLE

Name and Position	Year	Salary	Bonus
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc. 4. William Charles Howell - Treasurer and Chief Finance Officer 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2021 Estimate	51,590,400	8,598,400
All other officers and directors as a group unnamed		62,856,399	10,476,067
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc. 3. Jose S. Ejercito - President of Scanasia Overseas Inc.	2020	50,865,000	8,477,500

4. William Charles Howell - Treasurer and Chief Finance Officer			
5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping			
All other officers and directors as a group unnamed		44,006,504	7,334,417
1. Frederic C. DyBuncio. - President and Chief Executive Officer	2019	49,840,956	8,306,826
2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc.			
3. Jose S. Ejercito - President of Scanasia Overseas Inc.			
4. William Charles Howell - Treasurer and Chief Finance Officer	2018	44,092,546	5,874,400
5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping			
All other officers and directors as a group unnamed			
1. Frederic C. DyBuncio. - President and Chief Executive Officer	2018	44,092,546	5,874,400
2. Ricardo B. Aguas Jr. - Chief Operating Officer of 2GO Logistics			
3. Jose S. Ejercito - President of Scanasia Overseas Inc.			
4. William Charles Howell - Treasurer and Chief Finance Officer	2018	44,092,546	5,874,400
5. Mark Matthew F. Parco - Chief Operating Officer - Shipping			
All other officers and directors as a group unnamed			
		63,475,027	14,194,882

2GO has no significant or special arrangements of any kind as regard to the compensation of all officers and directors other than the funded, noncontributory tax-qualified retirement plans covering all regular employees. Once an officer or director has resigned they are no longer entitled to any compensation outside of the qualified retirement plans, if applicable.

Each director receives a monthly allowance of ₱80,000 except for the Chairman of the Board who receives ₱120,000 a month. Further, a per diem of ₱30,000 is given to each Director and ₱45,000 for the Chairman for every Board meeting attended.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from 2GO, the above-mentioned directors and officers do not receive any profit sharing nor any other compensation in the form of warrants, options, bonuses etc.

Likewise, there are no standard arrangements that compensate directors directly or indirectly, for any services provided to 2GO either as director or as committee member or both or for any other special assignments.

Item 7. Independent Public Accountants

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2021, for approval by the stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

SGV & Co. was appointed as the external auditor of 2GO starting calendar year 2017. SGV & Co. replaced the previous auditor, R.G. Manabat and Co.

Pursuant to the Charter of the Audit Committee, the Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

The members of the Audit Committee are as follows:

Chairman: Mr. Laurito E. Serrano (Independent Director)
Members: Ms. Ma. Concepcion F. de Claro
Mr. Joseph C. Tan (†) (Independent Director)

The Audit Committee and the Board of Directors endorse for stockholder approval the re-appointment of SGV & Co. appointed as the external auditor for the year 2020.

(1) External Audit Fees and Services

	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
Audit Fees	5,850,000	6,300,000	6,500,000
Audit-Related Fees			
All Other Fees			
TOTAL	5,850,000	6,300,000	6,500,000

Audit Fees

This represents professional fees paid to SGV & Co. for financial assurance services rendered for 2GO's Annual Financial Statements, review, and opinion for the SEC Annual Report as of December 31, 2020.

All Other Fees

This represents fees for services paid to SGV & Co. for other consultancy services rendered.

Audit services provided to 2GO by external auditor SGV & Co. have been pre-approved by the Audit Committee and recommended to the Board of Directors for approval. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

Item 8. Compensation Plans

No action will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for shareholders' approval at this annual meeting which involves authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

No action will be presented for shareholders' approval at this annual meeting which involves the modification of any class of the Company's securities, or the issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Representatives of the Company's external auditor, SGV & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for shareholders' approval at this annual meeting which involves a merger, consolidation, acquisition or similar matters.

Item 13. Acquisition or Disposition of Property

No action will be presented for shareholders' approval at this annual meeting which involves the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action will be presented for shareholders' approval at this annual meeting which involves the restatement of any of the Company's assets, capital or surplus account.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

During the Annual Stockholders' Meeting held on June 18, 2020 via remote communication, a total of 2,436,092,992 shares were present, in person or by proxy, representing approximately 98.94% of the outstanding shares of 2GO.

The Stockholders approved the Minutes of the Previous Annual Stockholders Meeting held last April 11, 2019, ratified the resolutions passed by its Board of Directors and the President covering the period from April 11, 2019 up to June 18, 2020, and noted the Management and Financial Reports for 2019. The Stockholders likewise cast all their votes equally in favor of the 9 individuals nominated as Directors who shall serve for the ensuing year and until their successors are duly elected and qualified.

The following matters with respect to minutes of the stockholders' meeting of the Company and resolutions adopted by its Board of Directors will be presented for approval during the stockholders' meeting:

a) Minutes of the annual meeting of stockholders held on June 24, 2020, appended to this Information Statement as Annex "A". These minutes fully reflect the proceedings during the meeting, including:

- 1) a description of the voting and vote tabulation procedures used in the previous meeting, including the engagement and presence of external auditor SGV & Co., which was especially engaged as third-party validator for the meeting;
- 2) a description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given; and
- 3) the list of directors and officers and a description of stockholders who participated in the meeting, certified duly certified to by the Corporate Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer, and validated by Alberto, Pascual & Associates.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in meeting.

b) General approval and ratification of the acts of the Board of Directors, its Committees, and the Management during their term of office commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting. These are covered by Resolutions of the Board of Directors and were entered into or made in the ordinary course of business, the significant acts or transactions

which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc.

There are no other matters that would require approval of the stockholders.

For the period ended December 31, 2020, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

All stockholders as of Record Date are entitled to vote in absentia for this meeting by registering and voting through the Company's secure online voting facility. For the detailed discussion of stockholders' voting rights and voting procedures, please refer to Item 19 (Voting Procedures) and the *"Guidelines for Participation via Remote Communication and Voting in Absentia"* appended to this Information Statement.

Item 16. Matters Not Required to be Submitted

All corporate actions to be taken up at the annual stockholders' meeting on April 23, 2021 will be submitted to the stockholders of 2GO for their approval in accordance with the requirements of the Corporation Code.

Item 17. Amendment of Charter, By-laws or Other Documents

No action will be presented for stockholders' approval at this year's annual meeting with respect to the amendment of the Company's Articles of Incorporation and By-Laws.

Item 18. Other Proposed Actions

The ratification of all acts of the Board of Directors and Board Committees for the period starting June 18, 2020 shall be submitted, for ratification, to the stockholders representing at least a majority of the outstanding voting capital stock.

These acts were adopted primarily in the ordinary course of business (including those which have been the subject of previous disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange during said period), such as but not limited to:

Date of Disclosure	Subject
March 10, 2021	Notice of Annual Meeting of Stockholders
June 18, 2020	Results of Organizational Meeting of Board of Directors
June 18, 2020	Results of Annual Stockholders' Meeting

The delegation to the Board of Directors of authority to amend the by-laws of the Corporation shall be submitted for approval of the stockholders. The Board of Directors shall be delegated authority to amend the by-laws in order to facilitate from time to time alignment of the provisions of the By-laws with the Revised Corporation Code and other Corporate Governance regulations covering publicly-listed companies. This delegation aims to strengthen the corporate governance of the Corporation

The election of the Board of Directors shall likewise be submitted to the stockholders for their approval.

Item 19. Voting Procedures

(a) Vote Requirement

All actions to be taken at the Annual Stockholders' Meeting shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

There are no items which require the affirmative vote of two-thirds (2/3) of the Company's outstanding capital stock.

(b) Vote Counting

Each stockholder entitled to vote may do so in person or by proxy, for each share of stock held by him. As provided in Section 7, Article II of the By-laws of 2GO, except upon demand by any stockholder, votes shall upon any question be by viva voce or show of hand, except with respect to procedural questions that shall be determined by the Chairman of the meeting.

For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote in absentia, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors. Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

The Corporate Secretary is tasked and authorized to validate, count and tabulate votes by stockholders.

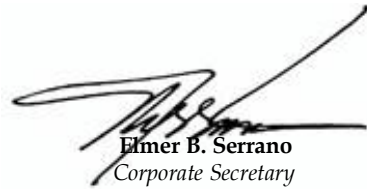
Pursuant to the Company's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary five (5) business days prior the meeting. Duly signed proxy forms should therefore be submitted no later than April 15, 2021 at the Office of the Corporate Secretary at the 33rd Floor The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City for validation. A sample format of the proxy form is here attached and will also be available at the Company website at www.2go.com.ph/asm2021.

The Corporate Secretary will lead the validation of proxies, in coordination with 2GO's stock and transfer agent, and attended by APA as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

The detailed guidelines for participation and voting for this meeting are set forth in the "Guidelines for Participating via Remote Communication and Voting in Absentia" appended as Schedule "A" to this Information Statement.

SIGNATURE PAGE

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 Pasig on 20 April 2021.



Elmer B. Serrano
Corporate Secretary

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The Consolidated Audited Financial Statements of the Company and its subsidiaries for the year ended and as of December 31, 2020 will be attached to the Definitive Information Statement.

II. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

There were no disagreements with SGV and Co. in 2020 with regard to any matter relating to accounting principles or practices or financial disclosures or auditing scope or procedure.

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Financial information for the three years ended December 31, 2020, 2019 and 2018 are as follows:

Results of Operations for the Years Ended December 31, 2020 and 2019

Amounts in millions	Dec 31, 2020	Dec 31, 2019	% Change
Revenue	₱ 17,409	₱ 21,410	(19%)
Costs of Services and Goods Sold	16,857	19,655	14%
Gross Profit	552	1,755	(69%)
General and Administrative Expenses	1,483	1,509	2%
Other Operational Expenses	230	198	(16%)
Operating Income	(1,161)	48	(2,544%)
Other Charges	663	377	(76%)
Provision for Income Tax	19	90	79%
Net Income (Loss) from Continuing Operations	₱ (1,843)	₱ (419)	(340%)
Net Income (Loss) from Discontinued Operations	₱ -	₱ (473)	100%
Net Income (Loss)	₱ (1,843)	₱ (892)	(107%)
<u>Add back:</u>			
Financing Charges (Interest)	406	421	4%
Provision for Income Tax	19	90	79%
Depreciation and Amortization	1,856	2,300	19%
EBITDA	₱ 439	₱ 1,919	(77%)

2GO Group, Inc. and subsidiaries incurred a Net Loss of ₱1.8 billion during 2020 primarily due to the reduced economic activity brought about by the COVID-19 pandemic. 2GO incurred a Net Loss of ₱892 million during 2019.

The Group's revenue decreased 19% year-over-year (YoY). Travel revenue declined by 78% YoY or ₱2.9 billion due to ongoing quarantine-related travel restrictions which began in mid-March and persisted throughout the rest of the year. Freight revenue from Shipping declined 10% while revenue from Logistics and other services declined 13% YoY, with the steepest declines occurring from March to May when most of the country was placed under enhanced community quarantine (ECQ). Distribution revenue was also affected by the pandemic, however increased 2% YoY due to the full-year effect of two principals added in the latter half of 2019. During 2020, 2GO continued to improve and adapt its suite of services to cater to its customers given the evolving operating conditions caused by the pandemic. The Non-shipping business accounted for 78% of total revenue during 2020 vs. 67% during 2019.

Cost of services and goods sold were 14% lower YoY due to the lower volumes for the shipping and logistics businesses during the pandemic and the Group's efforts to improve efficiencies and control costs. General and administrative expenses were also 2% lower YoY. The Group incurred approximately ₱113 million of COVID-19 related expenses for the year which are included in Other Operational Expenses. These are mainly employee-

related expenses for personal protective equipment, employee shuttle services, and allowances. Other Operational Expenses and Other Charges are generally non-recurring in nature and are primarily related to the Group's efforts to rationalize the business. Other Charges includes Php358M costs incurred to terminate a freighter co-loading agreement as the Group looks to focus on its core ROPAX services in 2021 and after.

Financial Position as of December 31, 2020 and December 31, 2019

Amounts in millions	As of		% Change
	Dec 31, 2020	Dec 31, 2019	
Current Assets	₱ 7,932	₱ 7,864	1%
Noncurrent Assets	6,827	8,536	(20%)
Total Assets	₱ 14,759	₱ 16,400	(10%)
Current Liabilities	₱ 8,508	₱ 8,883	(4%)
Noncurrent Liabilities	4,585	3,962	16%
Total Liabilities	₱ 13,092	₱ 12,846	2%
Total Equity	1,667	3,555	(53%)
Total Liabilities and Equity	₱ 14,759	₱ 16,400	(10%)

Total Assets decreased 10% to ₱14.8 billion, while Total Liabilities increased 2% to ₱13.1 billion.

Assets

Current Assets increased 1% to ₱7.93 billion from ₱7.86 billion. Cash and Cash Equivalents is almost unchanged YoY at ₱890 million. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased 1% to ₱4.12 billion from ₱4.10 billion.

Noncurrent Assets decreased 20% to ₱6.8 billion from ₱8.5 billion due to depreciation of fixed assets.

Liabilities

Current Liabilities decreased 4% to ₱8.5 billion from ₱8.9 billion. Short-term Notes Payable decreased 19% to ₱2.1 billion from ₱2.7 billion, while the current portion of obligation under lease decreased 17% to ₱373 million from ₱449 million. Trade and Other Payables increased 4% to ₱6.0 billion from ₱5.7 billion.

Noncurrent Liabilities increased 16% to ₱4.6 billion from ₱4.0 billion as of December 31, 2020 and 2019 as the Group converted ₱1.0 billion of short-term debt to long-term debt.

Equity

Total Equity decreased 53% to ₱1.7 billion from ₱3.6 billion primarily due to the Net Loss incurred in 2020.

Key Variable and Other Qualitative and Quantitative Factors.

- (i) Any known trends, events or uncertainties (material impact on liquidity)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to have a material impact on the Company's liquidity

- (ii) Events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation.

- (iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons during the reporting period.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons incurred during the reporting period.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

Capital expenditures are part of the Company's normal course of business. These are funded through cash generated from operations or additional borrowings.

(v) Any known trends, events or Uncertainties (Material Impact on Sales)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to affect the Group's sales.

(vi) Any Significant Elements of Income or Loss (from continuing operations)

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements.

(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

All causes for Any Material Changes from Period to Period of the FS are discussed in the management discussion and notes to the consolidated financial statements.

(viii) Seasonal Aspects that has Material effect on the FS.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known seasonal aspects that are expected to affect the Group's continuing operations.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2020 and 2019 and as of December 31, 2020 and December 31, 2019.

	Dec 31, 2020	Dec 31, 2019
Revenue Growth	(19%)	9%
Net Income Margin	(11%)	(4%)
EBITDA (in Millions of Pesos)	P 439	P 1,919
EBITDA Margin	3%	9%
	As of Dec 31, 2020	Dec 31, 2019
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	3.4	1.5
Total Liabilities (less effect of PFRS 16) to Total Equity	7.3	3.2
Total Liabilities to Total Equity	7.9	3.6

Revenue decreased 19% in 2020, while Net Income Margin declined to -11% in 2020 vs. -4% in 2019.

EBITDA and EBITDA Margin remained positive at P439 million and 3% in 2020 and P1.9 billion and 9% in 2019.

Current Ratio was 0.9 as of December 31, 2020, in line with 2019. Interest Bearing Debt to Total Equity is 3.4 in 2020, compared to 1.5 in 2020. The Total Liabilities to Total Equity ratio is 7.9 in 2020, up from 3.6 in 2019. Excluding the effect of PFRS 16 adoption, the Total Liabilities to Total Equity ratio is 7.3 in 2020 and 3.2 in 2019.

The Group calculates the key financial ratios as follows:

Revenue Growth	$(\text{Total Revenue current period} / \text{Total Revenue prior period}) - 1$
Net Income Margin	$\text{Net Income} / \text{Total Revenue}$
EBITDA	$\text{Net Income} + \text{Interest} + \text{Income Tax} + \text{Depreciation \& Amortization}$
EBITDA Margin	$\text{EBITDA} / \text{Total Revenue}$
Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$
Interest-Bearing Debt to Total Equity	$\text{Total Interest-Bearing Debt} / \text{Total Equity}$
Total Liabilities (less effect of PFRS 16) to Total Equity	$(\text{Total Liabilities} - \text{Capitalized Operating Leases}) / \text{Total Equity}$
Total Liabilities to Total Equity	$\text{Total Liabilities} / \text{Total Equity}$

Company Outlook

2GO Group continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group primarily operates roll-on/roll-off freight and passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

For 2021, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

Effect of COVID-19

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO's audited financial statements as of and for the year ended December 31, 2020 with the SEC.

The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

For the year ended 2020, 2GO experienced a year on year reduction in sales of 19% or ₱4.0 billion. It is expected that trade receivables, particularly those due from small and medium scale enterprises, will likewise deteriorate in collectability, hence, 2GO recognized additional provision for expected credit losses amounting to ₱40.8 million during the year for estimated losses due to non-collection. Management continues to assess the situation based on the economic situation of the underlying trade customers.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods beyond 2020. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic. Also, as part of its corporate social responsibility, 2GO waived revenues and incurred direct expenses amounting to ₱112.5 million in favor of certain Philippine Government relief and medical efforts to address the COVID-19 pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2020. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's consolidated financial position, consolidated results of operations and consolidated cash flows in future reporting periods.

Results of Continuing Operations for the Years Ended December 31, 2019 and 2018

Amounts in millions	Dec 31, 2019		Dec 31, 2018		% Change
Revenue	₱	21,410	₱	19,666	9%
Costs of Services and Goods Sold		19,671		18,435	(7%)
Gross Profit		1,739		1,231	41%
General and Administrative Expenses		1,493		1,923	22%
Other Operational Expenses		198		-	-
Operating Income		48		(693)	107%
Other Charges		377		250	(50%)
Provision for Income Tax		90		87	(3%)
Net Income (Loss) from Continuing Operations	₱	(419)	₱	(1,030)	59%
Net Income (Loss) from Discontinued Operations	₱	(473)	₱	(440)	(8%)
Net Income (Loss)	₱	(892)	₱	(1,470)	39%
<u>Add back:</u>					
Financing Charges (Interest)		449		322	(40%)
Provision for Income Tax		90		87	(3%)
Depreciation and Amortization		2,300		2,223	(3%)
EBITDA	₱	1,947	₱	1,162	68%

2GO Group, Inc. (2GO) and subsidiaries (collectively referred to as the **Group**) generated ₱48 million in Operating Income from Continuing Operations in 2019, an improvement from its Operating Loss from Continuing Operations of ₱693 million in 2018. Net Loss from Continuing Operations was ₱419 million in 2019, an improvement of 59% from losses of ₱1.0 billion in 2018. During 2019, 2GO completed a series of restructuring activities as part of Management's plan to focus on improving core services and profitability. 2GO incurred Net Loss from these Discontinued Operations of ₱473 million 2019 and ₱440 million in 2018. Net Loss in total was ₱892 million in 2019, an improvement of 39% from the Net Loss of ₱1.5 billion in 2018.

2GO's revenue increased year-over-year (YoY) by 9% in 2019 as demand for services and goods continued. Revenue from the Non-shipping business (Logistics and Distribution) increased YoY by 15% in 2019. The

Distribution business grew YoY by 26% in 2019, while the Logistics business grew YoY by 5%. The Non-shipping business accounted for 67% of revenue in 2019 compared to 63% in 2018.

Revenue from the Shipping business decreased YoY by 2% in 2019. Overcapacity in the domestic interisland freighter market continued to weigh negatively on freighter rates. As a result, during 2019, the Shipping business discontinued operations of its interisland freighter vessels and short-haul fast ferry passenger vessels as a part of Management's plan to focus on improving core ROPAX services and profitability.

Costs of Services and Goods Sold increased YoY by 7% in 2019. The main drivers of the increase were from inventory goods sold by the Distribution business, and bunker fuel oil consumed by the Shipping business. Inventory goods increased YoY by 23%, which was in line with the Distribution business' increase in revenue. Fuel costs increased YoY by 14% in 2019 due to an increased number of roundtrips by the Shipping business' ROPAX vessels.

General and Administrative Expenses decreased YoY by 22% in 2019 as 2GO continued its cost management initiatives, which include among others, increased controls over spending, consolidation of offices and facilities, and investments in technology to further drive efficiencies.

During 2019, 2GO completed a series of non-recurring restructuring activities which primarily included consolidating its operations in certain container yards, warehouses, and offices, and exiting related leases. These costs are included in Other Operational Expenses in 2019.

Other Charges include financing charges, equity in net earnings/losses from associates and joint ventures, and other non-operating gains/losses. Other charges increased YoY by 50% in 2019. Financing charges increased by P 124 million or 42% in 2019, due to additional amortization of leases from adoption of PFRS 16 and increased interest expense on short-term notes payable.

Discontinued operations

During 2019, the Shipping business discontinued operations of its interisland freighter vessels and short-haul fast ferry passenger vessels as a part of Management's plan to focus on improving core ROPAX services and profitability. In October 2019, 2GO sold 100% of its shares in The SuperCat Fast Ferry Corporation to Chelsea Logistics and Infrastructure Holdings Corp. for P650 million. 2GO also disposed two of its interisland freighter vessels in second quarter of 2019, and terminated long-term charter leases for three freighter vessels in the fourth quarter of 2019.

Financial Position as of December 31, 2019 and December 31, 2018

Amounts in millions	As of			% Change
	Dec 31, 2019	Dec 31, 2018		
Current Assets	P 7,864	P 8,006		(2%)
Noncurrent Assets	8,536	8,828		(3%)
Total Assets	P 16,400	P 16,835		(3%)
Current Liabilities	P 8,883	P 8,871		0%
Noncurrent Liabilities	3,962	3,427		16%
Total Liabilities	P 12,846	P 12,298		4%
Total Equity	3,555	4,537		(22%)
Total Liabilities and Equity	P 16,400	P 16,835		(3%)

Total Assets decreased 3% to P16.4 billion from P16.8 billion in 2018. Total Liabilities increased by 4% to P12.8 billion from 2018 to 2019. The adoption of a new accounting standard (PFRS 16, Leases) at January 1, 2019 led to an increase in both Assets and Liabilities by P1.3, which are included above.

Assets

Current Assets decreased 2% to P7.9 billion in 2019 from P8.0 billion in 2018. Cash and Cash Equivalents decreased 37% to P893 million in 2019 from P1.4 billion in 2018. Trade and Other Receivables, net of Allowance for Doubtful Accounts, were consistent at P4.3 billion in 2019, from P4.2 billion in 2018 even as revenue grew YoY as 2GO continues to focus on collections.

Noncurrent Assets decreased 3% to P8.5 billion in 2019 from P8.8 billion in 2018.

Liabilities

Current Liabilities remained consistent at ₱8.9 billion for 2019 and 2018. Short-term Notes Payable remained consistent at ₱2.7 billion in 2019 and 2018. Trade and other payables decreased 4% to ₱5.7 billion in 2019 from ₱6.0 billion in 2018.

Noncurrent Liabilities increased 16% to ₱4.0 billion from ₱3.4 billion as of December 31, 2019 and 2018 mainly due to the adoption of PFRS 16 and an increase in accrued retirement benefits to ₱338.8 million in 2019 from ₱211.4 million in 2018.

Equity

Total Equity decreased 22% in 2019 due to net losses incurred during the periods.

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements. There are no known trends, events, material changes, seasonal aspects, or uncertainties that are expected to affect the Company's continuing operations.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons incurred during the reporting period. The Company does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of 2GO for the years ended December 31, 2019 and 2018 and as of December 31, 2019 and 2018.

	Dec 31, 2019	Dec 31, 2018 As re-presented
Revenue Growth	9%	2%
Net Income Margin	(4%)	(7%)
EBITDA (in Millions of Pesos)	₱ 1,947	₱ 1,162
EBITDA Margin	9%	6%
	As of Dec 31, 2019	Dec 31, 2018
Current Ratio	0.9	0.9
Interest Bearing Debt to Total Equity	1.5	1.3
Total Liabilities (less PFRS leases) to Total Equity	3.2	2.7
Total Liabilities to Total Equity	3.6	2.7

Revenue increased by 9% in 2019 and 2% in 2018. Net Income Margin was -4% in 2019 vs. -7% in 2018.

EBITDA and EBITDA margin were ₱1.9 billion and 9% in 2019, up 68% from ₱1.2 billion and 6% in 2018.

Current Ratio remained consistent 0.9 as of December 31, 2019 and 2018. Interest Bearing Debt to Total Equity is 1.5 in 2019, compared to 1.3 in 2018. Total Liabilities to Total Equity is 3.6 in 2019, up from 2.7 in 2018. Excluding the effect of PFRS 16, Total Liabilities to Total Equity is 3.2 in 2019.

The Group calculates the key financial ratios as follows:

Revenue Growth	$(\text{Total Revenue current period} / \text{Total Revenue prior period}) - 1$
Net Income Margin	$\text{Net Income} / \text{Total Revenue}$
EBITDA	$\text{Net Income} + \text{Interest} + \text{Income Tax} + \text{Depreciation \& Amortization}$
EBITDA Margin	$\text{EBITDA} / \text{Total Revenue}$

Current Ratio	Current Assets / Current Liabilities
Interest-Bearing Debt to Total Equity	Total Interest-Bearing Debt / Total Equity
Total Liabilities (less effect of PFRS 16) to Total Equity	(Total Liabilities – Capitalized Operating Leases) / Total Equity
Total Liabilities to Total Equity	Total Liabilities / Total Equity

Results of Continuing Operations for the Years Ended December 31, 2018 and 2017

Amounts in millions	Dec 31, 2018	Dec 31, 2017	% Change
Revenue	P 19,666	P 19,287	2%
Costs of Services and Goods Sold	18,435	16,904	(9%)
Gross Profit	1,231	2,383	(48%)
General and Administrative Expenses	1,923	2,340	18%
Other Operational Expenses	-	-	-
Operating Income	(693)	43	(1,699%)
Other Charges	250	191	(31%)
Provision for Income Tax	87	230	62%
Net Income (Loss) from Continuing Operations	P (1,030)	P (378)	(172%)
Net Income (Loss) from Discontinued Operations	P (440)	P 71	(718%)
Net Income (Loss)	P (1,470)	P (307)	(379%)
Add back:			
Financing Charges (Interest)	322	401	20%
Provision for Income Tax	87	230	62%
Depreciation and Amortization	2,223	2,009	(11%)
EBITDA	P 1,162	P 2,333	(50%)

Revenue from continuing operations increased by 2% in 2018 from 2017. Revenues from the Shipping business increased by 10%, mainly due to gross presentation of certain revenue streams as required by the new accounting standard (PFRS 15, Revenue from contracts with customers) beginning January 1, 2018. Shipping revenues were also affected by weather (e.g., typhoons, storms, rough seas), which canceled voyages over the course of the year. The overcapacity and competition in the Freight market likewise continue to push down freight rates.

Revenue from Non-shipping business (Logistics and Distribution) decreased 2%. Revenue from Logistics and other services decreased by 7% as a result of the rationalization of unprofitable accounts. The distribution business, on the other hand, increased its revenue by 4%. The Non-shipping business accounted for 63% of total revenue during 2018 vs. 66% during 2017.

Total cost and expenses were maintained despite the rising fuel prices during the year and increased sales of inventory from our Distribution business. General and Administrative Expenses decreased YoY by 18% in 2018 as 2GO continued its cost management initiatives, which include among others, increased controls over spending, consolidation of offices and facilities, and investments in technology to further drive efficiencies.

2GO Group, Inc. and subsidiaries posted a Net Loss after Tax of ₱1.5 billion for the year ended December 31, 2018, a decrease compared to Net Loss of ₱307 million during the same period in 2017.

Financial Position as of December 31, 2018 and December 31, 2017

Amounts in millions	As of		% Change
	Dec 31, 2018	Dec 31, 2017	
Current Assets	₱ 8,006	₱ 8,798	(9%)
Noncurrent Assets	8,828	9,519	(7%)
Total Assets	₱ 16,835	₱ 18,317	(8%)
Current Liabilities	₱ 8,871	₱ 11,660	(24%)
Noncurrent Liabilities	3,427	614	459%
Total Liabilities	₱ 12,298	₱ 12,273	0%
Total Equity	4,537	6,043	(25%)
Total Liabilities and Equity	₱ 16,835	₱ 18,317	(8%)

Total Assets decreased 8% to ₱16.8 billion, while Total Liabilities remained flat at ₱12.3 billion from 2017 to 2018.

Assets

Current Assets decreased 9% to ₱8.0 billion from ₱8.8 billion. Cash and Cash Equivalents decreased 35% to ₱1.4 billion from ₱2.2 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 3% to ₱4.2 billion from ₱4.3 billion.

Noncurrent Assets decreased 7% to ₱8.8 billion from ₱9.5 billion.

Liabilities

Current Liabilities decreased 24% to ₱8.9 billion from ₱11.7 billion, as the Group refinanced the outstanding balance of its long-term loan. Short-term Notes Payable increased 2% to ₱2.7 billion from ₱2.6 billion, while the current portion of Long-term Debt decreased 97% to ₱0.1 billion from ₱3.1 billion. Trade and Other Payables increased by 4% to ₱6.0 billion in 2019 from ₱5.8 billion.

Noncurrent Liabilities increased to ₱3.4 billion from ₱0.6 billion as of December 31, 2018 and 2017, mainly due to the increase in Long-term Debt (net of the current portion). Prior to the refinancing, the Long-term Debt was classified under Current Liabilities.

Equity

Total Equity decreased 25% to ₱4.5 billion from ₱6.0 billion primarily due to the Net Loss generated in 2018.

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements. There are no known trends, events, material changes, seasonal aspects, or uncertainties that are expected to affect the Group's continuing operations.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons incurred during the reporting period. The Group does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2018 and 2017 and as of December 31, 2018 and December 31, 2017.

	Dec 31, 2018	Dec 31, 2017 As re-presented
Revenue Growth	2%	1%
Net Income Margin	(7%)	(2%)
EBITDA (in Millions of Pesos)	₱ 1,162	₱ 2,333
EBITDA Margin	6%	12%
	<u>As of</u>	
	Dec 31, 2018	Dec 31, 2017
Current Ratio	0.9	0.8
Interest Bearing Debt to Total Equity	1.3	1.0
Total Liabilities to Total Equity	2.7	2.0

Revenue increased 2% in 2018, Net Income Margin decreased to -7% in 2018 vs. -2% in 2017.

EBITDA and EBITDA Margin remained positive at ₱1.1 billion and 6% in 2018, and ₱2.3 billion and 12% in 2017.

Current Ratio increased to 0.9 from 0.8 as of December 31, 2018 and 2017. Interest Bearing Debt to Total Equity increased to 1.3 from 1.0, and Total Liabilities to Total Equity increased to 2.7 from 2.0.

The Group calculates the key financial ratios as follows:

Revenue Growth	$(\text{Total Revenue current period} / \text{Total Revenue prior period}) - 1$
Net Income Margin	$\text{Net Income} / \text{Total Revenue}$
EBITDA	$\text{Net Income} + \text{Interest} + \text{Income Tax} + \text{Depreciation \& Amortization}$
EBITDA Margin	$\text{EBITDA} / \text{Total Revenue}$
Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$
Interest-Bearing Debt to Total Equity	$\text{Total Interest-Bearing Debt} / \text{Total Equity}$
Total Liabilities to Total Equity	$\text{Total Liabilities} / \text{Total Equity}$

NON-FINANCIAL DISCLOSURE REQUIREMENTS

BRIEF DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE REGISTRANT AND ITS SUBSIDIARIES

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. 2GO and its subsidiaries provide shipping, logistics and distribution services to individuals, small and medium enterprises, large corporations, and government agencies throughout the Philippines.

2GO owns and operates a fleet of interisland roll-on/roll-off (ROPAX) freight and passenger vessels that are engaged in the movement of people and goods, operating under the brand names '2GO Freight' for its sea cargo business and '2GO Travel' for its passenger business.

1. 2GO FREIGHT

2GO Freight provides door-to-door and pier-to-pier land transportation and shipping of raw materials and finished goods via its shipping containers, whether full container load (FCL), less container load (LCL) or loose cargo.

2. 2GO TRAVEL

2GO Travel provides comfortable and secure sea transportation between major destinations across the country. It offers a wide selection of hotel and accommodation services, as well as tours and events, on top of traditional

passenger transport Beyond routine point-to-point transport, 2GO Travel provides a leisurely and low-cost travel experience. The Company's ability to guarantee convenience and affordability underpins its positioning as the preferred means of travel around the islands.

Significant Subsidiaries of 2GO

1. 2GO Express, Inc.

2GO Express provides land, air, and sea transportation including courier services, general cargo, sea cargo services, and last mile delivery for e-commerce. 2GO Express operates a nationwide network of retail outlets and partner agents. In partnership with leading international courier companies, 2GO Express also provides international express document, parcel, and cargo delivery services.

2GO Express' Subsidiaries

2GO Logistics, Inc.

2GO Logistics provides transportation and warehousing solutions to principals throughout the Philippines, including inventory management, trucking, crossdocking, and domestic freight. 2GO Logistics leverages the Group's collective capability to serve customers nationwide given its expansive physical infrastructure of warehouses, trucks, and vessels. Through investment in modern enabling technology and process improvement, 2GO Logistics aims to provide services at the standard of international third-party logistics providers.

ScanAsia Overseas Inc. (SOI)

ScanAsia Overseas Inc. (SOI) is the Distribution business unit of 2GO. It completes the end to end proposition of 2GO by making products of principals available at store shelves of various retail customers nationwide. SOI traces its roots to specialist distribution services for the Dairy category by representing leading brands in various Modern Trade and Food Service outlets. SOI has expanded its distribution footprint to the FMCG category and the Pharma-Convenience store channel.

Kerry Logistics (Phils.), Inc. (KLPI)

Kerry Logistics (Phils.), Inc. (KLPI) is a joint venture between 2GO and Kerry Logistics Network Limited of Hong Kong. KLPI has strategically located branches and warehouses in Manila, Luzon, Visayas and Mindanao offering diverse services, including international and domestic air and sea freight forwarding, cargo consolidation, warehousing and domestic distribution, dangerous goods handling, customs brokerage, building logistics and exhibition logistics.

WRR Trucking Corporation (WTC)

WRR Trucking Corporation (WTC) provides transportation, hauling or forwarding of cargo, freight, merchandise, goods, and other articles within the lawful commerce of man by means of trucks, automobiles, and both container and closed vans.

2. Special Container and Value Added Services, Inc. (SCVASI)

SCVASI provides innovative and strategic transportation solutions in the cold chain and liquid transportation sector, including temperature-controlled vans and trucks (Reefer Containers for FCL and LCL), hauling service for bulk liquids (domestic and international ISO tank and Flexibags). SCVASI is also engaged in project logistics, serving both private and public sectors in industries including infrastructure, power, telecommunications, mining, and property.

DESCRIPTION OF PROPERTY

Vessel Fleet

As of December 31, 2020, 2GO and its subsidiaries own and operate a fleet of nine (9) operating vessels, consisting of eight (8) RoRo/Pax vessels and one (1) freighter. 2GO's operating vessel fleet has a combined Gross Registered Tonnage of approximately 103,295, total annual passenger capacity of approximately 2,390,828 passengers and aggregate annual cargo capacity of approximately 311,854 twenty-foot equivalent units (TEUs).

Currently, 2GO operates five (5) large RoRo/Pax vessels calling on Manila as their homeport. These vessels sail from Luzon to Visayas and Mindanao, including Palawan. Further, 2GO operates three (3) medium-sized vessels with Batangas as their homeport, plying on the Batangas-Caticlan-Odiongan and the Batangas-Romblon-Roxas routes. 2GO also operates one (1) purely-cargo vessel, with Manila as its homeport, to complement its freight business.

Land, Buildings and Warehouses

2GO owns several parcels of land and a number of buildings and warehouses, which are used in the normal course of business.

Ports of call

2GO's extensive presence throughout the country, from Luzon to Mindanao, is carried out through its branch operations and agency networks resulting in maximized efficiencies in network coverage by clustering vessel port calls with minimal nautical mileage. These are located primarily in Manila, Batangas, Puerto Princesa, Romblon, Roxas, Coron, Odiongan, Bacolod, Caticlan, Cebu, Dumaguete, Iloilo, Butuan, Cagayan de Oro, Davao, Dipolog, General Santos, Iligan, Ozamis, and Zamboanga.

Market Share

As of December 31, 2020, 2GO continues to dominate the Philippine Sea Travel with 95% passage market share in and out Manila. Freight market share is at 18%, still among the market leaders even with competitors adding more ships.

Legal Proceedings

There are certain legal cases filed against 2GO and its subsidiaries in the normal course of business. Management and its legal counsel believe that they have substantial legal and factual bases for their position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements.

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. Market Information

The Common Stock of the Corporation is listed at the Philippine Stock Exchange. As of March 26, 2021, the market price of 2GO's common stock is P8.46 per share.

Below is the range of high and low daily closing prices for 2GO's common equity for each quarter within the last three fiscal years:

	HIGH	LOW
2021		
March 26, 2021	8.50	8.40
2020		
First Quarter	10.10	4.19
Second Quarter	11.50	5.87
Third Quarter	9.96	8.12
Fourth Quarter	9.33	8.30

2019		
First Quarter	15.02	11.88
Second Quarter	13.08	9.55
Third Quarter	11.30	9.80
Fourth Quarter	11.18	9.42
2018		
First Quarter	22.85	17.42
Second Quarter	18.82	14.88
Third Quarter	15.16	11.00
Fourth Quarter	16.64	9.60

2GO is not aware of any recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction.

B. Stockholders

The number of common shareholders of record as of March 24, 2021 is 5,118. The top 20 common stockholders as of February 28, 2021 are as follows:

	Name	No. of Shares	Percentage
1	KGLI-NM HOLDINGS, INC. (FILIPINO)	867,239,109	35.22%
2	SM INVESTMENTS CORPORATION (FILIPINO)	750,754,812	30.49%
3	CHINA-ASEAN MARINE B.V. (DUTCH)	550,558,388	22.36%
4	PCD NOMINEE CORPORATION (FOREIGN)	190,977,566	7.76%
5	PCD NOMINEE CORPORATION (FILIPINO)	76,616,863	3.11%
6	ABACUS SECURITIES CORPORATION (FILIPINO)	1,530,000	0.06%
7	CONSTANTINE TANCHAN (FILIPINO)	1,262,500	0.05%
8	SANTIAGO TANCHAN III (FILIPINO)	1,262,500	0.05%
9	FIRST METRO INVESTMENT CORPORATION	648,651	0.03%
10	PHILIPS MULTI EMPLOYER RETIREMENT PLAN	631,250	0.03%
11	RAMON RIVERO (FILIPINO)	600,000	0.02%
12	DOLL AGRICULTURAL CORPORATION	519,999	0.02%
13	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.02%
14	SUMMIT SECURITIES, INC.	440,963	0.02%
15	ELIZABETH CHIU (FILIPINO)	378,750	0.02%
16	JULIO & FLORENTINA LEDESMA FOUNDATION, INC.	338,500	0.01%
17	RAMON R. RIVERO (FILIPINO)	320,000	0.01%
18	LILIAN S. LIM	315,625	0.01%
19	DANIEL LACSON, JR. (FILIPINO)	269,708	0.01%
20	BONIFACIO O. DOROY	222,960	0.01%

As of March 24, 2021, the total number of shares owned by the public is equivalent to 293,582,207 shares or equivalent to 11.9%.

C. Dividends Declaration

There were no dividends declared during the years 2012 to date.

Per Article VI, Section 3 of the By-laws, “dividends payable out of the surplus profits of 2GO shall be declared at such time and in such manner and in such amounts as the Board of Directors shall determine; Provided that, stock dividends shall be subject to the approval of the stockholders in a meeting called for the purpose.”

CORPORATE GOVERNANCE

2GO Group Inc. and subsidiaries (2GO or the Company) is governed by the principles of fairness, accountability, and transparency, which is paramount to sustain its long-term growth and success. 2GO is committed in implementing the best practices in corporate governance that balance the growth and interests of all its stakeholders.

BOARD STRUCTURE

The 2GO Board of Directors is responsible for the long-term sustainability of the Company, and ensures that it balances its corporate objectives with the best interest of its shareholders and other stakeholders. It is composed of nine (9) highly respectable professionals, three (3) of whom, are non-executive-independent directors. In line with corporate governance best practice, the Company’s independent directors are free from management responsibilities, substantial shareholdings and material relations, all of which are perceived to impede independent judgment. Likewise, the roles of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to promote a balanced Board and increase accountability and controls.

The following individuals constitute the Board of Directors:

Chairman : Dennis A. Uy

Members : Francis C. Chua, Vice Chairman
Frederic C. DyBuncio, President & Chief Executive Office
Elmer B. Serrano, Corporate Secretary & Chief Information Officer
Joseph C. Tan (†), Lead Independent Director
Laurito E. Serrano, Independent Director
Jesus G. Dureza, Independent Director
Ma. Concepcion F. de Claro, Director
Chryss Alfonsus V. Damuy, Director

BOARD COMMITTEES

The Board governs through the following committees: (1) Executive Committee, (2) Audit Committee, (3) Corporate Governance Committee, (4) Risk Oversight Committee and, (5) Related Party Transaction Committee. Each committee has its own charter that can be found in the Company’s website.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for assisting the Board in fulfilling its oversight functions related to the Company’s overall approach to corporate governance. The Committee also takes the lead in promulgating and overseeing the principles of good corporate governance by reviewing committee charters, the independence of directors as well as the code of ethics for executives, employees, and directors.

The committee members are as follows:

Chairman: Mr. Joseph C. Tan (†) (ID)
Members: Mr. Laurito E. Serrano (ID)
Mr. Jesus G. Dureza (ID)

RISK OVERSIGHT COMMITTEE

The Risk Oversight Committee is responsible in leading the organization’s strategic direction in the management of material business risks to enable the Board to make informed decisions. The committee also provides oversight for establishing, implementing, reviewing and assessing the effectiveness of the Company’s risk management framework.

The committee members are as follows:

Chairman:	Mr. Jesus G. Dureza (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Frederic C. DyBuncio

Enterprise Wide Risk Management Program (ERM)

The Board of Directors sets the overall risk tolerance for 2GO and delegates the responsibility of managing all of 2GO's risk exposures to the Risk Oversight Committee. The Committee designed the Risk Management Framework, which was reviewed and approved by the Board.

Risk Oversight Committee / Board level

- Approval of the Enterprise Risk Management Program;
- Oversight of the processes by which risks are managed including:
 - Articulating the overall risk tolerance levels;
 - Monitoring 2GO's Risk Management performance

For 2020, the Company continued to further refine its ERM program to address its Business Continuity Plans. The Company's objective is to be able to quickly rebound and recover from unavoidable or unforeseen threats or disasters. More attention has been given on the technology side as reliance on systems and business applications for operations has steadily increased. All Crisis Management and Emergency Response Teams (ERT) of 2GO's business units are undergoing training and drills on a periodic basis to enable them to correctly respond to the risks the Company is exposed to. Each business unit continues to update its Risk Registers and their Business Continuity Plan (BCP) as part of the Company's strategy to ensure that personnel and assets are protected and able to function in the event of a disaster. The following is the framework of the ERM program for the year:

- I. Updating of Emergency Response Teams
- II. Program Implementation
 - A. Training/ drilling of ERM concepts and protocols to all Crisis Management / ERTs
 - B. ERM Risk Treatment Mechanisms
 - C. Business Continuity Plans Test
 - D. Monitoring and Process Audit

The Company understands that managing risks is continuous process and that it will evolve as the organization continues to grow. Such is the dynamic nature of risk management, the ability of the Company to learn, adapt and rebound from any risk, threat or disaster. The ERM Program of the Company will serve to contribute in achieving its goals, and in the future be the backbone in the thrust for corporate resiliency.

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction Committee is responsible for ensuring that related party transactions are conducted at fair and arm's length as provided under existing laws, rules and regulation. The committee members are as follows:

Chairman:	Mr. Joseph C. Tan (†) (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Ms. Ma. Concepcion F. de Claro

AUDIT COMMITTEE

The Audit Committee assists and advises the Board in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, and performs other duties as the Board may require.

During the year, the Audit Committee monitored the execution of internal audit plan, approved the succeeding period's internal audit plan and budget as well as provided inputs to audit results, recommendations and management action plans. It also reviewed the previous year audited financial report presented by the external auditor for approval by the Board.

The Audit Committee maintains an effective working relationship with the Board by providing them assistance in promoting good corporate governance and audit-related decisions. It also ensures its objectivity by having an independent director as committee chairman.

The committee members are as follows:

Chairman:	Mr. Laurito E. Serrano (ID)
Members:	Ms. Ma. Concepcion F. de Claro
	Mr. Joseph C. Tan (†) (ID)

System of Internal Controls

The framework of control, risk management and governance processes is instilled within the 2GO group of companies. This aims to encourage incorruptibility and deter fraudulent activities by management and employees. The current processes of 2GO are continuously being reviewed by Management, Audit and External Consultants to identify areas wherein controls may be strengthened. Some of these processes are either combined and/or reduced to provide the basic elements of control and good governance needed to sustain operations.

The culture of accountability is apparent with the general adherence of employees to Code of Conduct, management policies and directives in order to efficiently and effectively achieve company objectives.

The internal control system is effectively designed to safeguard assets, to protect confidentiality, availability and integrity of information and as far as possible the reliability, relevance and accuracy of records; effectiveness and efficiency of operations and programs; and to ensure compliance with regulatory requirements.

Various measures of internal control undertaken by management include setting and updating policies that are designed to attain the company's goals, sourcing and maintaining competent personnel, segregation of incompatible duties and safeguarding of all critical assets.

Continuous enhancement of performance metrics and speedy resolution of audit issues raised are likewise given focus to assure risks are addressed/mitigated and company objectives are met. Every quarter, resolutions of internal audit observations are updated and discussed with Senior Management and Audit Committee to ensure they are timely attended to and resolved within their commitment.

2GO management is responsible in maintaining the internal control system and ensuring that resources are properly applied in the manner and to the activities intended.

Internal Audit

In accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and Code of Ethics by the Institute of Internal Auditors (IIA), the Internal Audit Department (IAD) continually strives to improve the proficiency, effectiveness and quality of the internal audit activities.

The IAD, headed by Mr. Rodolfo G. Bravo, directly reports to the Audit Committee and responsible for providing independent, objective assurance and consulting services designed to assist management in ensuring the adequacy and effectiveness of 2GO's governance, risk management and control processes in attaining its business objectives.

The IAD strives to improve on a yearly basis by introducing processes that increases coverage of audit engagements. In 2020, there was an increase in audit and consultancy engagements completed that were communicated to management and Audit Committee. IAD plans to increase its efficiency by maintaining its competency through internal and external trainings that are relevant to the Company. This is to further demonstrate IAD's continued compliance with existing Internal Audit Standards.

Included in the processes of IAD is to continue monitoring the implementation of recommendations and action plans on a regular basis in line with target completion dates set by management. During 2020, IAD conducted regular review of previous engagements and met with various audit clients to ensure completion of action plans committed. Results of these monitoring are communicated accordingly with Senior Management and the Audit Committee. IAD effectively utilizes audit analytics software to efficiently obtain relevant data and continuously review transactions on a daily basis.

IAD continued to deliver its value-adding services by providing meaningful recommendations to its audit clients using a risk-based approach and methodology to maximize its resources and align its audit activities with the objectives of the organization.

For 2021, the IAD will be further strengthened to address the internal auditing needs of 2GO.

Executive Compensation Policy

The corporate compensation philosophy for executive remuneration in 2GO is meritocracy based. Commensurate compensation is given based on the annual performance evaluation of its executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of the Corporate Governance Committee.

Compensation of Directors and Senior Management

The table of the monthly fixed allowance and per diem per meeting attendance of the 2GO Board of Directors in 2020 is shown below.

Compensation	Director	Chairman of the Board
Monthly Fixed Allowance	₱80,000	₱120,000
Board Meeting Per Diem	₱30,000	₱45,000
Committee Meeting Per Diem	₱30,000	₱45,000

Code of Business Conduct

The 2GO Code of Business Conduct serves to guide employees' actions in line with the Company's corporate values. The Code consists of policies relating to ethical and legal standards of behavior that 2GO expects of its employees. Its applicability extends to all the business units in the organization. The Code also explicitly states the corresponding disciplinary actions that include suspension and termination for violations committed against company policies and the Code. 2GO believes that employees' adherence to desirable behaviors and conduct is a prerequisite to work excellence and indispensable to success.

Information Technology Governance

2GO continues to invest in its information technology infrastructure and software applications. The Company continues to focus on applications that provide real-time visibility and tracking to its customers as it aims to improve delivery performance and overall customer service. This will also help 2GO become more operationally efficient and reduce its costs to serve. These investments will provide resiliency and redundancy and ensure our mission-critical system during and after disaster functions.

2GO's IT governance includes periodic review of existing practices and policies and adaptation of IT to current business models, as well as measuring IT systems performance.

Corporate Governance Outlook

As businesses continue to open up to the global market and liberalization happens, the decision-making process becomes more diffused. This brings up the level of accountability of corporate leaders to all their stakeholders, including employees, customers and in particular, their shareholders. Good corporate governance, to this purpose, is effecting appropriate changes to existing practices to better meet the collective interests of all stakeholders. Rules must be designed in accordance with the governance principles they are designed to maintain.

2GO, headed by its Board and management, aims to further strengthen its commitment to the corporate governance principles of accountability, transparency and integrity consistent with global best practices. 2GO strives to align, as much as possible, the interests of individuals, of 2GO and of society, in the face of a more complex, open, and global market.

FURTHER INFORMATION

The following are available on www.2go.com.ph/IR/governance

- 2GO Corporate Governance Policies

- 2GO Articles of Incorporation
- 2GO Code of Business Conduct
- 2GO By-Laws
- 2Go Anti-Money Laundering Statement of Policies & Procedure

UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE ANNUAL REPORT

Any Stockholder, upon written request, will be provided with a copy of 2GO's Annual Report in SEC Form 17-A without charge. All written requests should be directed at:

**INVESTOR RELATIONS OFFICE
2GO GROUP, INC.
8th Floor, Tower 1, Double Dragon Plaza
Macapagal Blvd. Corner EDSA Extension, Pasay City**

*This Information Statement and the Annual Report in SEC Form 17-A will be posted at 2GO's website:
<http://www.2go.com.ph>*

SCHEDULE A

2021 ANNUAL STOCKHOLDERS' MEETING

April 23, 2021 at 9:00 am

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2020 Annual Stockholders' Meeting (ASM) of 2GO Group, Inc. (2GO or the **Company**) is scheduled on **April 23, 2021 at 9:00am** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on **March 24, 2021 (Record Date)** as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia*.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote and to exercise their right to vote *in absentia* by no later than **April 15, 2021**, by registering at **asmregister.2go.com.ph** and by submitting there the following supporting documents/information, subject to verification and validation:

- Individual Stockholders
 1. Copy of valid government ID of stockholder/proxy
 2. Stock certificate number/s
 3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
 4. Email-address and contact number of stockholder or proxy
- Multiple Stockholders or joint owners
 1. Stock certificate number/s
 2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
 3. Copy of valid government IDs of all registered stockholders
 4. Email-address and contact number of authorized representative
- Corporate Stockholders
 1. Secretary's Certification of Board resolution appointing and authorizing proxy to participate in the ASM
 2. Valid government ID of the authorized representative
 3. Stock certificate number/s
 4. Email-address and contact number of authorized representative
- Stockholders with Shares under broker account
 1. Certification from broker as to the number of shares owned by stockholder
 2. Valid government ID of stockholder
 3. If appointing a proxy, copy of proxy form duly signed by stockholder (need

- not be notarized)
4. Email-address and contact number of stockholder or proxy

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Company.

Online Voting

Stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Log-in to the voting portal by clicking the link, and using the log-in credentials, sent by email to the email-address of the stockholder provided to the Company.
2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended as Annex A to the Notice of Meeting.
 - 2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.
 - 2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees, or vote for certain nominees only.

***Note:** A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (9 directors for 2GO) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the "Submit" button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company. Instructions on how to access the livestream will also be posted at [**www.2go.com.ph/asm2021**](http://www.2go.com.ph/asm2021).

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

2GO-NENACO Merger

Stockholders who have issues with their stock certificates arising from the merger of 2GO and Negros Navigation Co., Inc. may send an email to corsec@2go.com.ph.

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2020 Open Forum" to asm2021@2go.com.ph on or before April 22, 2021. A section for stockholder comments/questions or a "chatbox" shall also be provided in the livestreaming platform.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Investor Relations.

For any queries or concerns regarding this Guidelines, please contact the Company's Investor Relations Division at (632) 8528-7171 or via email at asm2021@2go.com.ph.

For complete information on the annual meeting, please visit www.2go.com.ph/asm2021.

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

2GO GROUP, INC.

On 18 June 2020
(via Remote Communication)

DIRECTORS PRESENT:

DENNIS A. UY	Chairman of the Board Member, Executive Committee
FRANCIS C. CHUA	Vice Chairman and Independent Director Member, Related Party Transactions Committee
FREDERIC C. DYBUNCIO	President and Chief Executive Officer Chairman, Executive Committee Member, Risk Oversight Committee
ELMER B. SERRANO	Director and Corporate Secretary Member, Executive Committee
MA. CONCEPCION F. DE CLARO	Director Member, Audit Committee Member, Related Party Transactions Committee
CHRYSS ALFONSUS V. DAMUY	Director
JOSEPH C. TAN	Lead Independent Director Chairman, Corporate Governance Committee Member, Audit Committee Member, Related Party Transactions Committee
LAURITO E. SERRANO	Independent Director Chairman, Audit Committee Member, Corporate Governance Committee Member, Risk Oversight Committee
JESUS G. DUREZA	Independent Director Chairman, Risk Oversight Committee Member, Corporate Governance Committee

ALSO PRESENT:

ARTHUR A. SY	Assistant Corporate Secretary
WALDO C. BASILLA	Chief Operating Officer
WILLIAM CHARLES HOWELL	Chief Financial Officer

Stockholders present in person or
represented by proxy

2,436,092,992 shares (Please see Record of
Attendance here attached as **Annex A**)

1. Call to Order

The meeting opened with an invocation followed by the Philippine National Anthem. The host then acknowledged the presence of all directors and key officers of **2GO Group, Inc.** (the **Company**), with certain directors and officers attending the meeting from DoubleDragon, Pasay and some directors joining remotely.

Mr. Dennis A. Uy, Chairman of the Board, welcomed stockholders and guests to the first ever virtual Annual Stockholders' Meeting of the Company, streaming live via Zoom Webinar. The Chairman thanked the stockholders for joining the meeting.

The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

2. Certification of Notice and Quorum

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE and posted on the Company's website on 26 May 2020. Further, the Corporate Secretary certified that the same notice of meeting was published in the following newspapers of general circulation, both in print and online formats: (1) on 26 May 2020, at the Business Sections of BusinessWorld and Daily Tribune; and (2) on 27 May 2020, at the Business Section of the BusinessWorld and Daily Tribune.

The Corporate Secretary also certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 2,436,092,992 common shares, representing 98.94% of the issued and outstanding capital stock of the Company as of record date of 19 May 2020. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that Alberto, Pascual & Associates has been engaged as third party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

3. Approval of Minutes of the Annual Stockholders' Meeting held on 11 April 2019

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of stockholders held on 11 April 2019. A copy of the minutes was posted on

the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,436,092,992	100%	0	0	0	0

With the above votes in favor, the following resolution was passed and adopted:

"RESOLVED, that the minutes of the annual meeting of stockholders held on 11 April 2019 are approved."

4. Approval of 2019 Annual Report and 2019 Audited Financial Statements

The Chairman then requested Mr. Waldo C. Basilla, Chief Operating Officer, to render his report on the results of operations for 2019. Mr. Basilla reported as follows:

"Distinguished guests, ladies and gentlemen – good afternoon.

"2019 was another banner year for the Philippine economy as GDP expanded by 6.0% despite the delay of the 2019 National Budget and the effects of the US-China Trade War. Inflation was benign as oil and food prices remained steady. While the impact of the COVID-19 pandemic is felt locally and globally, we continue to be optimistic on the long-term growth prospects of the Philippines and 2GO remains fully committed in helping enable such growth.

"We characterize 2019 as a year of re-focus. We focused on the right business segments and the right customers to work with. To drive differentiation, we integrated our broad services to develop new solutions that created value not only to our customers both business and direct consumers, but also to all our stakeholders.

"Focus, rationalization and optimization were the common themes that prevailed across the organization. Management implemented directions that necessitated changes for its business units. Allow me to discuss some of these changes.

"In our Shipping business, we rationalized our fleet and optimized our operations by changing the vessel mix and routes. We focused on the ROPAX vessels which provide a significant service differentiation in the market due to its reliability and speed. As a consequence, we divested our freight vessels in 2019 which were not profitable given the continued

severe overcapacity in the market. We have also divested from the short-haul fast ferry passenger business which is not core to our strategic objectives.

“With our Non-Shipping business 2GO Logistics, I am pleased to report that we have made progress in our turnaround plans by focusing on three key areas. First, we have improved our customer arrangements which are mutually beneficial while prioritizing identified segments of the market. Second, we consolidated and rationalized our operations and assets which brought down overall operating costs. Third, by instituting rigid operating disciplines we ensured that we preserve our service integrity while improving our overall margins.

“At the same time, we recognize the steady demand for direct to consumer services. To support this, we have introduced new physical and digital solutions that will enable us to actively participate in this space. We have invested in technology to move us at par with international standards, and have brought in new skills to help capture the segments we are targeting.

“Taken together these measures will make 2GO leaner, operationally agile, responsive to market trends and hopefully, profitable.

“Amidst all these changes, we continued to deliver for our customers.

“Total Revenues grew 9% to P21.4B in 2019 driven largely by Scanasia, the group’s distribution business. While we have strategically contracted our Shipping revenues by 2%, stabilized the Logistics business with new strategies and operational improvements, the Express and Special Containers businesses continued to grow and yield positive results. These efforts are encouraging as losses narrowed to P850M in 2019 from P1.5B in 2018.

“While the Covid pandemic will impact outcomes in 2020, we are confident that the decisions and structural changes we made in 2019 have laid the groundwork towards success in the coming years.

“I would like to express my sincere gratitude to the Board for their invaluable counsel, the business units for their unwavering dedication, and the shareholders for their continued support.

“Thank you.”

After the report, the Chairman thanked Mr. Basilla for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,436,092,992	100	0	0	0	0

With the above votes in favor, the following resolution was passed and adopted:

“RESOLVED, that the 2019 Annual Report and the 2019 Audited Financial Statements are approved.”

5. Approval and Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and carried out by Management during their term, or from the date of the last annual stockholders’ meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,436,092,992	100	0	0	0	0

With the above votes in favor of approval, the following resolution was passed and adopted:

“RESOLVED, that the acts of the Board of Directors and Management during their term or from the date of the last annual stockholders’ meeting up to this meeting are ratified and approved.”

6. Election of Directors for 2020-2021

The next item in the agenda is the election of directors for the year 2020-2021. The Chairman requested Atty. Joseph C. Tan, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Atty. Tan stated that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following nominees to the Board for 2020-2021:

Mr. Dennis A. Uy
Mr. Francis C. Chua
Mr. Frederic C. DyBuncio
Atty. Elmer B. Serrano
Ms. Ma. Concepcion F. de Claro
Mr. Chryss Alfonsus V. Damuy

Independent Directors

Atty. Joseph C. Tan
Mr. Laurito E. Serrano

Atty. Jesus G. Dureza

The Corporate secretary thereafter presented the number of votes garnered by each of the nominees:

Nominee	No. of Votes
Dennis A. Uy	2,436,092,992
Francis C. Chua	2,436,092,992
Frederic C. DyBuncio	2,436,092,992
Elmer B. Serrano	2,436,092,992
Ma. Concepcion F. de Claro	2,436,092,992
Chryss Alfonsus V. Damuy	2,436,092,992
Joseph C. Tan	2,436,092,992
Laurito E. Serrano	2,436,092,992
Jesus G. Dureza	2,436,092,992

The Corporate Secretary then announced that since there are only nine (9) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

“RESOLVED, that following are elected to the Board of Directors of 2GO Group, Inc. for 2020-2021, to serve as such directors until their successors have been duly qualified and elected:

Dennis A. Uy
Francis C. Chua
Frederic C. DyBuncio
Elmer B. Serrano
Ma. Concepcion F. de Claro
Chryss Alfonsus V. Damuy

Independent Directors

Joseph C. Tan
Laurito E. Serrano
Jesus G. Dureza

7. Appointment of External Auditor

The next item in the agenda is the appointment of the Company’s external auditor for 2020. The Chairman informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
2,436,092,992	100	0	0	0	0

With the above votes in favor of approval, the following resolution was passed and adopted:

“RESOLVED, that the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020 is approved.”

8. Open Forum

The Chairman then proceeded with the Question and Answer portion of the meeting. He explained that all stockholders of record were allowed to submit questions in advance via email to asm2020@2go.com.ph, and through the chat box of the meeting livestream. He explained that the Company will endeavor to answer questions not addressed during the meeting via email. The Chairman thanked the stockholders for sending their questions and comments.

The Chairman requested the host to read some of the questions received from the stockholders.

The host began reading questions sent by email. The first question came from Ms. Aimee Chan, which reads, “How did COVID impact your business and what measures have been taken to ensure the safety in your operations moving forward?”

Mr. Basilla answered that the pandemic created complications to the Company’s businesses. The limitations on the movement of non-essential goods as well as the restrictions on travel affected both cargo and passenger volumes. While the Company continued to operate during ECQ, it was functioning only at between 40 to 50% of capacity. However, he noted that with the recent reopening of the economy he foresees the recovery of volumes. The Company is now operating at close to 80% of capacity across all business units, while remaining fully compliant to government health and safety requirements. At the same time, workforce safety is a paramount consideration for the Company and the following measures were taken:

- Conduct of rapid testing to all employees to ensure no one is a carrier of the virus;
- To support worker mobility and safety, the provision of transportation and temporary housing in some locations;
- Daily sanitation of all sites and provision of PPEs to the employees; and
- Implementation of social distancing guidelines and rotational work-from-home arrangements to manage the number of people in the sites.

The host then read the next and final question which was sent by Ms. Ada Co. The question reads, “What opportunities do you see given the pandemic?”

Mr. Basilla responded that during the quarantine period, there was a critical need to move essential goods including food, medicines and supplies. As an important enabler in the transportation of products nationwide, the Company saw it not only as an opportunity but also a national duty to perform these services. Additionally, there are huge opportunities in the direct to consumer sectors. While B2C had already been growing in the Philippines before COVID-19, the pandemic amplified the need for more direct to consumer solutions. Fortunately, with the Company’s deep and broad capabilities both physical and digital, it is well-positioned to participate in this growth.

The Chairman thanked the host and Mr. Basilla for reading and answering the questions.

9. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

10. Adjournment

There being no further business to transact, the Chairman thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary

ATTESTED BY:

DENNIS A. UY
Chairman

2GO Group, Inc.
Annual Stockholders' Meeting
18 June 2020, 2:00 p.m.

Record of Attendance

Total number of voting shares outstanding	2,462,146,316
Total number of shares present by proxy	2,436,090,192
Total number of shares participating remotely	2,800
Total number of shares represented	2,436,092,992
Attendance percentage	98.94%

REPUBLIC OF THE PHILIPPINES }
 } S.S.

SECRETARY'S CERTIFICATE

I, **ELMER B. SERRANO**, Filipino, of legal age, with office address at the 33rd Floor The Orient Square F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after having been duly sworn in accordance with law, hereby depose and state that:


1. I am the Corporate Secretary of **2GO GROUP, INC.** (the **Corporation**), a corporation duly organized and existing under the laws of the Philippines, with offices at the 8th Floor, Tower 1, DoubleDragon Plaza, EDSA Extension cor. Macapagal Avenue, Pasay City;
2. No director or officer of the Corporation is connected with any government agencies or instrumentalities; and
3. The foregoing is in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this MAR 25 2021 at Makati City.


ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 25 2021 at Makati City, affiant exhibited to me his Tax Identification No. 153-406-995.

Doc. No. 951;
Page No. 72;
Doc No. 1;
Series of 2021.


CARMINA M. MANGALINDAN
Notary Public for Makati City
App. No. M-451 until 30 June 2021 (BM 3795)
G/F First Lucky Place Annex,
2259 Pasong Tamo Extension, Makati City
Roll of Attorneys No. 66507
PTR No. 8554396; 21 January 2021
IBP Lifetime No. 015210; Makati Chapter
MCLE Compliance NO. VI-0017213; 14 April 2022

REPUBLIC OF THE PHILIPPINES)
) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LAURITO E. SERRANO**, Filipino, of legal age, and with address at Unit 4205-C Madras Street, Palanan, Makati City, after having been duly sworn to in accordance with law hereby declare that:

1. I am a nominee for independent director of **2GO GROUP, INC. (2GO)** and have been its independent director since April 2017.
2. I am affiliated with the following company/ies or organization/s:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Atlas Consolidated Mining & Development Corporation	Independent Director	August 2012 - present
Pacific Online Systems Corporation	Independent Director	May 2014 - present
Rizal Commercial Banking Corporation	Independent Director	February 2019 - present
MRT Development Corporation	Director	July 2013 - present
Axelum Resources Corp.	Director	April 2017 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of 2GO, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of 2GO.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of 2GO of any changes in the abovementioned information within five days from its occurrence.

IN WITNESS WHEREOF, I have hereunto set my hand on this MAR 25 2021 in
Makati City, Metro Manila.



LAURITO E. SERRANO
Affiant

SUBSCRIBED AND SWORN to before me this MAR 25 2021 in Makati City,
Metro Manila, affiant exhibiting to me his Passport Number P1780647A expiring on 26 January
2022.

Doc. No. 352
Page No. 72
Book No. 1
Series of 2021



CARMINA M. MANGALINDAN
Notary Public for Makati City
App. No. M-451 until 30 June 2021 (BM 3795)
G/F First Lucky Place Annex,
2259 Pasong Tamo Extension, Makati City
Roll of Attorneys No. 66507
PTR No. 8554396; 21 January 2021
IBP Lifetime No. 015210; Makati Chapter
MCLE Compliance NO. VI-0017213; 14 April 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESUS G. DUREZA**, Filipino, of legal age and a resident of 4 Venus Street, GSIS Heights Village, Matina, Davao City, after having been duly sworn to in accordance with law do hereby declare that:

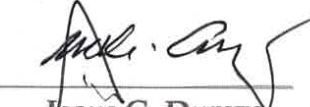
1. I am a nominee for independent director of **2GO GROUP, INC.** and have been its independent director since April 2019.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

PERIOD OF SERVICE	COMPANY/ORGANIZATION	POSITION/RELATIONSHIP
2010-2016; 2020 to Present	Advocacy Foundation, Inc. Mindanow	President and CEO
2010-2016; 2020 to Present	Mindanao Times	Publisher
2010-2016; 2020 to Present	University of Mindanao	Trustee, Board
2010-2016; 2020 to Present	Seabren Security Agency, Inc.	President and CEO
2010-2016; 2020 to Present	Davao Seagull Resorts Development, Inc.	Director

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of 2GO Group, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of 2GO Group, Inc.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of 2GO Group, Inc. of any changes in the abovementioned information within five days from its occurrence.




Done, this 29 M.R. 2021 at DAVAO CITY.


Jesus G. Dureza
Affiant

SUBSCRIBED AND SWORN to before me this 29 M.R. 2021 at DAVAO CITY
affiant personally appeared before me and exhibited to me his Senior Citizen's ID No. 18-42075
issued in Davao City on 15 February 2019.

Doc. No. 4n
Page No. 84
Book No. 5
Series of 2021.


KARINA ANA P. BOTE
NOTARY PUBLIC FOR DAVAO CITY
UNTIL DECEMBER 31, 2022
NOTARIAL COMMISSION SERIAL NO. 2021-122-2022
PTR NO. 4792619-12/07/20-D.C.
IBP NO. 138468-01/05/21- Pasig City
IBP ROLL NO. 75984
MCLE EXEMPTION CERT. (Exempted-admitted to Bar 2020)
3/F LOPEZ BLDG., CANDELARIA ST., ECOLAND, D.C

CERTIFICATION OF INDEPENDENT DIRECTOR


I, **PAQUITO N. OCHOA, JR.**, Filipino, of legal age and a resident of 42D One Mckinley Place, 26th St., BCG, Taguig City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **2GO GROUP, INC.**
2. I am affiliated with the following companies:

PERIOD OF SERVICE	COMPANY/ORGANIZATION	POSITION/RELATIONSHIP
2016-Present	PNO Management and Legal Consulting	Owner/Single Proprietor
2019-Present	PRIVAATE Corp. (Formerly: The Privacy Experts Corporation)	Chairman of the Board of Directors
2020-Present	Manuel L. Quezon University (MLQU)	President


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of 2GO Group, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of 2GO Group, Inc.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of 2GO Group, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this **April 21, 2021** at **Pasig City**.


PAQUITO N. OCHOA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this **April 21, 2021** at **Pasig City**
affiant personally appeared before me and exhibited to me his
Driver's License No. C07-78-018872 valid until 2022/11/11

Doc. No. **511**;
Page No. **104**;
Book No. **1**;
Series of 2021.


VINA MARIE S. VILLARROYA
Appointment No. 183 (2020-2021)
Notary Public for Pasig City
Until December 31, 2021
Attorney's Roll No. 68536
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR No. 7233530; 01.05.21; Pasig City
IBP No. 137820; 01.05.21; RSM
MCLE Compliance No. VI-0012267; 4.14.22

SEC Registration Number

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C	R	M	D
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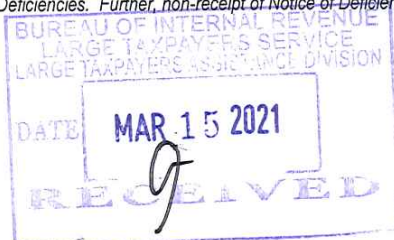
N	/	A	
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Company's Email Address	Company's Telephone Number	Mobile Number
investor_relations@2go.com.ph	(02) 8554-8777	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,118	4 th Thursday of May	December 31

The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Elmer Serrano	elmer.serrano@mvgslaw.com	(02) 8554-8777	N/A

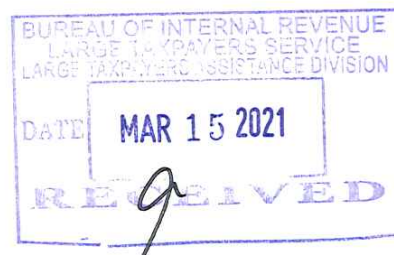
8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue,
Pasay City

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.



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City



Opinion

We have audited the consolidated financial statements of 2GO Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020 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, 2020 and 2019 and, its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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.

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 each 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.



Revenue recognition

The Group's revenue from shipping, logistics and other services amounting to ₱9.69 billion and from sale of goods amounting to ₱7.72 billion comprise 55.66% and 44.34%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2020. We considered the recognition of revenue from shipping, logistics, and other services as a key audit matter because of the significant amount and volume of the Group's revenue transactions being processed and the risk of recognizing revenue in the improper period, and for the sale of goods, the risk of inappropriate capture of material revenue-related adjustments such as sales discounts, allowances, returns and bad goods.

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant judgments and estimation related to revenue recognition.

Audit Response

We obtained an understanding of the Group's revenue recognition process and related information system, including the determination of revenue adjustments, and tested relevant controls. On a sampling basis, we compared the recorded revenue during the year to the revenue details generated from the Group's information system, analysis prepared by management, and actual documents such as proof of deliveries and sales invoices. We reviewed sample manual journal entries related to revenue and inspected the underlying documentation. On a sampling basis, we also obtained and compared the details of discounts, allowances, returns and bad goods to the amounts recorded in the Group's revenue information system and to documents such as the contracts with customers and principals, return slip, bad goods declaration, reconciliation of billings and collections with customers, and other memorandum adjustments.

Recoverability of trade and other receivables

As of December 31, 2020, the Group's trade and other receivables totaling to ₱4.13 billion, net of allowance for expected credit losses (ECL) of ₱0.74 billion, account for 27.53% of the consolidated total assets.

We considered the recoverability of trade and other receivables as a key audit matter because the determination of the allowance for ECL on these receivables involves significant management judgment and estimations. Key areas of judgment in calculating ECL include: segmenting the Group's credit risk exposures based on customer type; defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; and incorporating forward-looking information (called overlays), including the impact of Novel CoronaVirus (COVID-19) pandemic.

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant accounting judgment and estimates, and Note 8 to the consolidated financial statements for the details of trade and other receivables.



Audit Response

We updated our understanding of the methodologies, models and forward-looking information used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments*.

We assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics. We considered whether the segmentation applied to measure ECL appropriately captures the different types of customers that are affected in different ways by the economic effects of COVID-19 pandemic. We compared the data used in the ECL models prepared by management, such as the historical aging analysis and default and recovery data, to the financial reporting systems and loss allowance analysis/models. To the extent that the loss allowance analysis is based on credit exposures that have been specifically identified or have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the specific identification or disaggregation from the loss allowance analysis to the source systems. We also assessed the incorporation of forward-looking information used for overlay in the ECL models through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios and industry, including the impact of the COVID-19 pandemic. We recalculated impairment provisions on a sample basis.

Estimated useful life and impairment of vessels in operations and related equipment, and impairment of goodwill

As of December 31, 2020, the Group's vessels in operations and related equipment amounting to ₱2.40 billion and goodwill allocated to the shipping business amounting to ₱686.90 million, comprise 15.99% and 4.58%, respectively, of the Group's consolidated total assets. In accounting for these assets, the Group estimated the useful lives of vessels in operations and related equipment and assessed these for potential impairment based on the fair value of the assets, physical condition and the cash flows they generate.

In evaluating the useful lives of the vessels and related equipment, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date of purchase or manufacture, the fleet deployment plans including the timing of fleet replacements, regulatory developments in the domestic shipping industry, changes in technology, as well as the repairs and maintenance program, among others.

We considered this as a key audit matter because the changes in the estimated useful lives of the Group's vessels in operations and related equipment, and the recognition of impairment loss on vessels in operation and related equipment and goodwill involve significant management judgments and estimates and could have a material impact on the consolidated financial position and performance of the Group. These estimates are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic.

Refer to Notes 3 and 4 to the consolidated financial statements for the relevant accounting policies and a discussion of significant accounting judgment and estimates, and Notes 11 and 13 to the consolidated financial statements for the disclosures about the carrying amounts of the vessels in operations and related equipment, and goodwill of the shipping business.



Audit Response

We evaluated management's estimates of the useful lives of the vessels in operations and related equipment based on the Group's fleet plan, historical experience on similar assets, useful lives used by comparable shipping companies, regulatory developments affecting the shipping industry and the Group's repairs and maintenance program. With the involvement of our internal specialist, we reviewed the value in use calculation prepared by management to support the recoverability of the carrying value of the vessels in operations and related equipment, and goodwill. We tested the parameters used in the determination of discount rate against market data. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth, changes in the costs and expenses relative to revenue growth and capital expenditures to historical experience by the Group and market information, taking into consideration the impact associated with COVID-19 pandemic.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Philippine Securities and Exchange Commission (SEC) Form 17-A for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2020 are 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 will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 Albert R. Bon.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon

Partner

CPA Certificate No. 0121479

Accreditation No. 121479-SEC (Group A),

Valid to cover audit of 2019 to 2023

financial statements of SEC covered institutions

Tax Identification No. 255-491-830

BIR Accreditation No. 08-001998-135-2020,

January 31, 2020, valid until January 30, 2023

PTR No. 8534227, January 4, 2021, Makati City

March 4, 2021



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

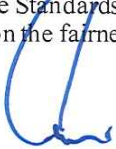
The management of **2GO Group Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the 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 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 consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2020, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


Dennis A. Uy
Chairman of the Board



Frederic C. DyBuncio
President and Chief Executive Officer


William Howell
Chief Financial Officer and Treasurer

Signed this 4th day of March 2021.

SUBSCRIBED AND SWORN to before me this
day of MAR 12 2021 contributing to me
His/Her _____ Issued on _____




ATTY. JOVINO R. ANGEL
Notarial Commission No. 19-37
Notary Public for and within Pasay City
Until June 30, 2021
Suite 1 White House

Shipping SCVASI Land Transport Logistics Express Retail Distribution
170 W. Miguel St., Pasay City, M.M.
Roll of Attorney's No. 28761
PTR No. 75019200/1-4-2021/Pasay City
IBP No. 141069/1-4-2021/Pasig City
MCLE Compliance VI-002244/4-4-19
Admitted to the Bar on April 21, 1978

JUL NO. _____
PAGE NO. _____
BOOK NO. _____
SERIES 202 _____

BF Tower 1, Double Dragon, DD Meridian Park cor Macapagal Ave. and EDSA Extension, Bay Area, Pasay City, Philippines 1302
(+632) 8528-7171 www.2go.com.ph

2GO GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2020 AND 2019**

(Amounts in Thousands)

		December 31	
	Note	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱890,127	₱892,540
Trade and other receivables	8, 17, 20	4,127,977	4,105,569
Inventories	9	673,861	811,805
Other current assets	10	2,240,441	2,054,195
Total Current Assets		7,932,406	7,864,109
Noncurrent Assets			
Property and equipment	11, 17, 18	4,806,893	6,442,797
Investments in associates and joint ventures	12	231,424	277,039
Goodwill	13	686,896	686,896
Deferred income tax assets	27	153,910	113,337
Other noncurrent assets	14	947,927	1,016,049
Total Noncurrent Assets		6,827,050	8,536,118
TOTAL ASSETS		₱14,759,456	₱16,400,227

LIABILITIES AND EQUITY

Current Liabilities			
Short-term notes payable	15	₱2,163,500	₱2,678,500
Trade and other payables	16, 19, 20	5,961,934	5,742,553
Income tax payable		9,728	11,428
Current portion of:			
Long-term debt	17	—	1,500
Obligations under lease	11, 18	372,669	449,427
Total Current Liabilities		8,507,831	8,883,408
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	17	3,485,080	2,487,153
Obligations under lease	11, 18	612,394	1,136,331
Accrued retirement benefits	26	487,147	338,806
Total Noncurrent Liabilities		4,584,621	3,962,290
Total Liabilities		₱13,092,452	₱12,845,698

(Forward)



		December 31	
	Note	2020	2019
Equity	21		
Share capital		₱2,500,663	₱2,500,663
Additional paid-in capital		2,498,621	2,498,621
Other equity reserve		712,245	712,245
Other comprehensive losses - net		(218,990)	(174,026)
Deficit		(3,826,761)	(1,984,269)
Treasury shares		(58,715)	(58,715)
Equity Attributable to Equity Holders of the Parent Company		1,607,063	3,494,519
Non-controlling Interests		59,941	60,010
Total Equity		1,667,004	3,554,529
TOTAL LIABILITIES AND EQUITY		₱14,759,456	₱16,400,227

See accompanying Notes to the Consolidated Financial Statements.



2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Thousands, Except Earnings Per Common Share)

		Years Ended December 31		
	Note	2020	2019	2018
CONTINUING OPERATIONS				
REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping:	5,20			
Freight		₱3,025,461	₱3,360,584	₱3,762,288
Travel		839,139	3,741,366	3,468,911
Nonshipping:				
Logistics and other services		5,825,904	6,707,486	6,416,692
Sale of goods		7,718,191	7,600,478	6,017,746
		17,408,695	21,409,914	19,665,637
COST OF SERVICES AND GOODS SOLD	22	16,856,886	19,655,050	18,434,883
GROSS PROFIT		551,809	1,754,864	1,230,754
GENERAL AND ADMINISTRATIVE EXPENSES	23	1,482,639	1,509,100	1,923,310
OTHER OPERATIONAL EXPENSES	32c	230,072	198,262	—
OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS		(1,160,902)	47,502	(692,556)
OTHER INCOME (CHARGES)				
Equity in net losses of associates and joint ventures	12	(43,534)	(49,682)	(34)
Financing charges	24	(405,829)	(421,326)	(297,249)
Others - net	24	(213,276)	94,351	46,821
		(662,639)	(376,657)	(250,462)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS		(1,823,541)	(329,155)	(943,018)
PROVISION FOR INCOME TAX	27			
Current		63,748	95,596	90,155
Deferred		(44,550)	(5,787)	(3,092)
		19,198	89,809	87,063
NET LOSS FROM CONTINUING OPERATIONS		(1,842,739)	(418,964)	(1,030,081)
NET LOSS FROM DISCONTINUED OPERATIONS	32b	—	(473,250)	(439,822)
NET LOSS		(₱1,842,739)	(₱892,214)	(₱1,469,903)
Net Loss Attributable to:				
Equity holders of the Parent Company		(₱1,842,670)	(₱890,352)	(₱1,467,495)
Non-controlling interests		(69)	(1,862)	(2,408)
		(₱1,842,739)	(₱892,214)	(₱1,469,903)
Basic/Diluted Loss Per Share	28	(₱0.7484)	(₱0.3616)	(₱0.5999)

See accompanying Notes to the Consolidated Financial Statements.



2GO GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

(Amounts in Thousands)

		Years Ended December 31		
	Note	2020	2019	2018
NET LOSS		(P1,842,739)	(P892,214)	(P1,469,903)
OTHER COMPREHENSIVE INCOME				
(LOSS) - Net of tax				
Item that will be reclassified subsequently to profit or loss:				
Net changes on cash flow hedge	29	(2,911)	2,911	—
Income tax effect	27	873	(873)	—
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement losses on net defined benefit liability	26	(58,096)	(132,982)	(4,221)
Net changes in unrealized loss on FVTOCI investments		—	—	(707)
Income tax effect	27	17,429	39,894	2,069
		(42,705)	(91,050)	(2,859)
Share in remeasurement gain (loss) on retirement benefits of associates and joint ventures	12	(2,081)	1,079	—
		(44,786)	(89,971)	(2,859)
TOTAL COMPREHENSIVE LOSS		(P1,887,525)	(P982,185)	(P1,472,762)
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company		(P1,887,456)	(P980,323)	(P1,470,354)
Non-controlling interests		(69)	(1,862)	(2,408)
		(P1,887,525)	(P982,185)	(P1,472,762)

See accompanying Notes to the Consolidated Financial Statements.



2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										Subtotal	Retained Earnings (Deficit) (Note 21)	Treasury Shares (Note 21)	Total	Non-controlling Interests	Total Equity
	Other Comprehensive Income (Losses)															
	Share Capital (Note 21)	Additional Paid-in Capital (Note 21)	Other Equity Reserve (Note 21)	Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Cash Flow Hedge Reserve - Net of tax (Note 29)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 13)								
BALANCES AT JANUARY 1, 2018	P2,484,653	P910,901	P2,315,975	P657	P5,294	(P103,309)	P-	P6,450	(P90,908)	P383,290	(P58,715)	P5,945,196	P71,827	P6,017,023		
Net loss for the year	-	-	-	-	-	-	-	-	-	(1,467,495)	-	(1,467,495)	(2,408)	(1,469,903)		
Other comprehensive loss for the year	-	-	-	(707)	-	(2,152)	-	-	(2,859)	-	-	(2,859)	-	(2,859)		
Total comprehensive loss for the year	-	-	-	(707)	-	(2,152)	-	-	(2,859)	(1,467,495)	-	(1,470,354)	(2,408)	(1,472,762)		
Sale of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(7,547)	(7,547)		
BALANCES AT DECEMBER 31, 2018	2,484,653	910,901	2,315,975	(50)	5,294	(105,461)	-	6,450	(93,767)	(1,084,205)	(58,715)	4,474,842	61,872	4,536,714		
Net loss for the year	-	-	-	-	-	-	-	-	-	(890,352)	-	(890,352)	(1,862)	(892,214)		
Other comprehensive loss for the year	-	-	-	-	-	(93,088)	2,038	1,079	(89,971)	(89,971)	-	(89,971)	-	(89,971)		
Total comprehensive loss for the year	-	-	-	-	-	(93,088)	2,038	1,079	(89,971)	(890,352)	-	(980,323)	(1,862)	(982,185)		
Effect of merger	16,010	1,587,720	(1,603,730)	-	-	-	-	-	-	-	-	-	-	-		
Other comprehensive income (OCI) closed to retained earnings	-	-	-	50	-	9,662	-	-	9,712	(9,712)	-	-	-	-		
BALANCES AT DECEMBER 31, 2019	2,500,663	2,498,621	712,245	-	5,294	(188,887)	2,038	7,529	(174,026)	(1,984,269)	(58,715)	3,494,519	60,010	3,554,529		
Net loss for the year	-	-	-	-	-	-	-	-	-	(1,842,670)	-	(1,842,670)	(69)	(1,842,739)		
Other comprehensive loss for the year	-	-	-	-	-	(40,667)	(2,038)	(2,081)	(44,786)	-	-	(44,786)	-	(44,786)		
Total comprehensive loss for the year	-	-	-	-	-	(40,667)	(2,038)	(2,081)	(44,786)	(1,842,670)	-	(1,887,456)	(69)	(1,887,525)		
OCI closed to retained earnings	-	-	-	-	-	(178)	-	-	(178)	178	-	-	-	-		
BALANCES AT DECEMBER 31, 2020	P2,500,663	P2,498,621	P712,245	P-	P5,294	(P229,732)	P-	P5,448	(P218,990)	(P3,826,761)	(P58,715)	P1,607,063	P59,941	P1,667,004		

See accompanying Notes to the Consolidated Financial Statements.



2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (Amounts in Thousands)

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax from continuing operations		(₱1,823,541)	(₱329,155)	(₱943,018)
Loss before tax from discontinued operations	32b	—	(463,501)	(415,657)
Adjustments for:				
Depreciation and amortization of property and equipment and software	12, 14, 22,23	1,856,449	2,300,073	2,223,266
Financing charges	24, 32b	413,095	449,463	321,908
Interest income	24, 32b	(39,731)	(17,371)	(17,276)
Gain on disposal of:				
Property and equipment	24	(23,835)	(81,523)	(14,690)
Cash generating unit	32b	—	(37,592)	—
Investment in subsidiaries	24	—	—	(1,098)
Investment in associate	24	—	—	(3,604)
Impairment loss on property and equipment		—	—	5,273
Gain on cessation of business of subsidiaries	24	(32,652)	—	—
Gain on lease pre-termination	18	(14,581)	—	—
Equity in net losses of associates and joint ventures	12	43,534	49,682	34
Retirement benefit cost	26	108,019	77,665	60,463
Unrealized foreign exchange losses (gains)		1,381	(1,523)	(33,632)
Operating income before working capital changes		488,138	1,946,218	1,181,969
Decrease (increase) in:				
Trade and other receivables		(40,586)	(39,584)	(23,862)
Inventories		137,944	(193,990)	(74,719)
Other current assets		18,217	45,492	173,680
Increase (decrease) in trade and other payables		313,460	(69,129)	361,694
Cash generated from operations		917,173	1,689,007	1,618,762
Contribution for retirement fund and benefits paid from book reserve	26	(18,098)	(72,926)	(109,198)
Interest received		39,731	17,371	18,034
Income taxes paid, including creditable withholding taxes		(247,369)	(247,059)	(345,210)
Net cash flows provided by operating activities		691,437	1,386,393	1,182,388
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	11	(456,890)	(766,054)	(1,524,526)
Software	14	(70,938)	(57,089)	(41,898)
Investment in an associate	12	—	—	(25,000)
Proceeds from disposal of:				
Property and equipment	11	57,931	107,865	41,980
Investment in subsidiary	12	18,000	—	10,000
Collection of proceeds from the sale of a subsidiary and freighters	32b	100,582	101,856	—
Payment of capital gains tax from the sale of a subsidiary	32b	—	(19,602)	—
Cash of the disposed subsidiary	32b	—	(40,417)	—
Cash of deconsolidated subsidiaries	24	(5)	—	(109,312)
Receipts of (payments for) various deposits		(14,406)	63,464	(8,634)
Net cash flows used in investing activities		(365,726)	(609,977)	(1,657,390)

(Forward)



Years Ended December 31				
	Note	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES	32			
Proceeds from availments of:				
Short-term notes payable	15	₱1,425,000	₱3,921,500	₱5,783,200
Long-term debt	17	1,000,000	—	2,500,000
Payments of:				
Short-term notes payable	15	(1,940,000)	(3,878,000)	(5,743,150)
Long-term debt	17	(1,500)	(401,556)	(2,388,820)
Obligations under lease	18	(413,477)	(488,900)	—
Obligations under finance lease	18	—	—	(156,810)
Interest and financing charges	24	(390,619)	(452,343)	(275,445)
Debt transaction costs	24	(7,500)	—	(18,780)
Net cash flows used in financing activities		(328,096)	(1,299,299)	(299,805)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(28)	12	8,975
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,413)	(522,871)	(765,832)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	892,540	1,415,411	2,181,243
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	₱890,127	₱892,540	₱1,415,411

See accompanying Notes to the Consolidated Financial Statements.



2GO GROUP, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings per Share, Exchange Rate Data and When Otherwise Indicated)

1. Corporate Information and Approval of the Consolidated Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed on May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

2GO and its subsidiaries (collectively referred to as the Group) provide shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates interisland roll-on/roll-off freight and passenger vessels, interisland freighters, and short-haul fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

On February 23, 2018, the Board of Directors (BOD) approved the internal restructuring of the Group via merger of 2GO with its parent company, Negros Navigation Co., Inc. (NN), with 2GO as the surviving entity. The purpose of this was to simplify the Group's corporate structure and to streamline operations, reduce costs and increase shareholder value. Prior to the merger and as of December 31, 2018, NN owned 88.31% of 2GO, while NN is 39.85%-owned by KGLI-NM Holdings, Inc. (KGLI-NM), 34.5% owned by SM Investments Corporation (SMIC), 25.30%-owned by China-ASEAN Marine B.V. (CAMBV) and 0.35% owned by public shareholders. KGLI-NM's ultimate parent is Udenna Corporation.

Effective January 1, 2019, NN was merged into 2GO, with 2GO as the surviving entity, pursuant to the Articles of Merger as approved by the Securities and Exchange Commission (SEC). Hence, the separate corporate existence of NN ceased by operation of law as provided under Section 80(2) of the Corporation Code. To execute the merger, 2GO issued a total of 2,176,151,907 shares with a par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN, which shares were composed of the 2,160,141,991 shares reacquired by 2GO as a result of the merger, and 16,009,916 shares from the unissued authorized capital stock of 2GO. As a result, 2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SMIC, 22.36%-owned by CAMBV and 11.93% owned by public shareholders as of December 31, 2020 and 2019. The effect of the merger is presented in Notes 21 and 32a.

During 2019, 2GO completed a series of restructuring activities as part of a plan to focus on improving core services and profitability. 2GO discontinued the operations of its short-haul fast ferry passenger vessels, inter-island freighters, and consolidated its operations in certain container yards, warehouses and offices (see Note 32b).

The accompanying consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issue by the BOD on March 4, 2021.



2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for quoted financial asset investments and hedging instruments which are measured at fair value through other comprehensive income. The consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

3. Significant Accounting Policies

Accounting policies have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group adopted the following new or revised standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2020. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRS and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.



The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases*, *COVID-19-related Rent Concessions*

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

The Group adopted the amendments beginning January 1, 2020 using the practical expedient and resulted to immaterial financial impact.



Standards Issued But Not Yet Adopted

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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4, *Insurance Contracts* and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- 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 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.



- Amendments to PAS 16, *Property, 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.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- 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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *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.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.



The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- 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.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- 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, 2023 and must be applied retrospectively.

- 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. 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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.



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.

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

	Nature of Business	Percentage of Ownership	
		2020	2019
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	100.0	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	100.0	100.0
2GO Logistics, Inc. (2GO Logistics or DTN)	Transportation/logistics	100.0	100.0
Scanasia Overseas, Inc. (SOL)	Sales of goods	100.0	100.0
Hapag-Lloyd Philippines, Inc. (HLP) ⁽¹⁾	Transportation/logistics	100.0	100.0
WRR Trucking Corporation (WTC)	Transportation	100.0	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holdings and logistics management	100.0	100.0
J&A Services Corporation (JASC) ^{(2) (3)}	Vessel support services	100.0	100.0
Astir Engineering Works, Inc. (AEWI) ⁽²⁾	Engineering services	100.0	100.0
WG&A Supercommerce, Incorporated (WSI) ⁽⁴⁾	Vessels' hotel management	100.0	100.0
North Harbor Tugs Corporation (NHTC)	Tugboat assistance	58.9	58.9
Super Terminals, Inc. (STI) ^{(3) (5)}	Passenger terminal operator	50.0	50.0
2GO Rush Delivery, Inc. (RUSH) ⁽⁶⁾	Transportation/logistics	100.0	100.0
Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) ⁽²⁾	Freight and related services	100.0	100.0
Sea Merchants, Inc. (SMI) ⁽³⁾	Hotel and allied services	100.0	100.0
Bluemarine, Inc. (BMI) ⁽³⁾	Housekeeping and allied services	100.0	100.0
The Supercat Fast Ferry Corporation (SFFC) ⁽⁷⁾	Transporting passenger	—	—

¹Ended corporate life on December 31, 2019

²Ceased commercial operations on December 31, 2018

³Corporate life ended in 2020

⁴Ceased commercial operations in February 2006

⁵Ceased commercial operations in 2017

⁶Incorporated in December 2016 but has not yet started business operations

⁷Sold in October 2019



The Parent Company or its subsidiaries are considered to have control over an investee, if and only if, they have:

- 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 Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, they consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Parent Company or its subsidiaries' voting rights and potential voting rights.

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when they lose control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Parent Company or its subsidiaries gain control until the date they cease to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of subsidiaries are consistent with the Group's 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. When the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

Changes in the controlling ownership interest, i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.



Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control or joint control over those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control wherein each party has rights over the net assets of the joint venture.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting from the day it becomes an associate or joint venture. The excess of the cost of the investment over the investor's share in the net fair value of the investee'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 investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are 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 investee companies, less any impairment loss. The consolidated statement of profit or loss reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies 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 investee companies and the Group are identical and the investee companies' 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 the consolidated statement of profit or loss.



The consolidated financial statements include the significant associates and joint ventures of the Group listed below.

	Nature of Business	Effective Percentage of Ownership
Associates:		
Hansa Meyer Projects (Phils.), Inc. (HMPPI) ⁽¹⁾	Project logistics and consultancy	50.0
Mober Technology PTE Inc. (Mober) ⁽²⁾	Logistics services	50.0
MCC Transport Philippines (MCCP)	Container transportation	33.0
Joint Ventures:		
KLN Logistics Holdings Philippines Inc. (KLN) ⁽³⁾	Holding company	78.4
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	62.5

¹Corporate life ended September 30, 2019.

²Investment by 2GO Express in 2018.

³KLN is 78.4%-owned by 2GO Express.

All entities are incorporated in the Philippines.

Interest in a Joint Operation

The Group has an interest in a joint operation which is a jointly controlled entity, whereby the joint venture partners have a contractual arrangement that establishes joint control over the economic activities of the entity. The assets, liabilities, revenues and expenses relating to the Group's interest in the joint operation have been recognized in the consolidated financial statements of the Group.

As at December 31, 2020 and 2019, the Group has interest in joint operation in United South Dockhandlers, Inc. (USDI).

Current versus Noncurrent classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current 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 financial reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the financial reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the 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.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, and are subject to an insignificant risk of change in value.

Determination of Fair Value

Fair value is the 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 the market participants act in their best economic interest.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and,
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

Financial Instruments

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, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of trade receivables or for which the Group has applied the practical expedient, the Group's initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

Financial assets

At initial recognition, the Group classifies its financial assets as follows:

- FVTPL
- Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost



The basis of the classification of the Group's financial instruments depends on the following:

- The Group's business model for managing its financial assets; and
- The contractual cash flow characteristics of the financial assets

A financial asset is classified to be measured at amortized cost if following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified as FVTOCI if the following conditions were met:

- The financial asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial asset; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets shall be classified as FVTPL unless it is measured at amortized cost or at FVTOCI. The Group may also irrevocably elect at the initial recognition of equity instruments that would otherwise be measured at FVTPL to be presented as FVTOCI.

Financial liabilities

Financial liabilities are classified as measured at amortized cost except for:

- Financial liabilities measured at FVTPL which include derivatives that liabilities measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent considerations recognized by an acquirer in a business combination to which PFRS 3 applies.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of profit or loss unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.



Subsequent measurement

Financial assets measured at amortized cost

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash in banks and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the consolidated statement of financial position) are classified under this category.

FVTOCI (equity instruments)

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of 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 fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial liabilities measured at amortized cost

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's notes payable, trade and other payables excluding unearned revenue, long-term debt, obligations under lease and other noncurrent liabilities are classified under this category.

De-recognition of Financial Assets and Liabilities

Financial Assets. A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



Financial Liabilities. 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 modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of profit or loss.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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.

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 trade receivables, 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 that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is an 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.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Cash Flow Hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.



For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognized directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss. When the hedged cash flow affects the profit or loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognized in OCI at that time remains in OCI and is recognized when the hedged forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to profit or loss.

The Group has commodity swap agreement for its exposure to volatility in fuel price (commodity price risk).

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of inventories for usage is the estimated replacement cost. An allowance for inventory obsolescence is provided for based on the Group's historical inventory expiration experience and physical inspection.

Noncurrent Assets Held for Sale and Discontinued Operations

Noncurrent assets and disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The noncurrent assets and disposal group must be available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets and disposal group are measured at the lower of their previous carrying amount and fair value less costs to sell and its depreciation or amortization ceases.

The Group presents assets classified as held for sale and liabilities related to assets held for sale separately from other assets and other liabilities, respectively, in the consolidated statement of financial position. These assets and liabilities shall not be offset and presented as a single amount and the major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the consolidated statement of financial position or in the notes.

Impairment loss is recognized for any subsequent write-down of the asset to fair value less costs to sell. Gain for any subsequent increase in fair value less costs to sell of an asset is also recognized but not in excess of the cumulative impairment loss that has been previously recognized.



If the Group has classified an asset as held for sale but the criteria as set out above are no longer met, the Group ceases to classify the asset as held for sale, the Group measures a noncurrent asset that ceases to be classified as held for sale at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Additional disclosures are provided in Note 32b. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Land is carried at cost, less accumulated impairment losses.

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.

Drydocking costs, consisting mainly of main engine overhaul, replacement of steel plate of the vessels' hull and related expenditures, are capitalized as a separate component of "Vessels in operations". When significant drydocking costs are incurred prior to the end of the amortization period, the remaining unamortized balance of the previous drydocking cost is derecognized in profit or loss.



Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the refurbishment of vessels and construction of property and equipment are capitalized during the refurbishment and construction period. Vessels under refurbishment and construction in progress are not depreciated until such time the relevant assets are complete and available for use but tested for impairment losses. Refurbishment of existing vessels is capitalized as part of vessel improvements and depreciated at the time the vessels are put back into operation.

Vessel on lay-over, if any, represents vessel for which drydocking has not been done pending availability of the necessary spare parts. Such vessels, included under the "Property and equipment" account in the consolidated statement of financial position are stated at cost, less accumulated depreciation and any impairment in value.

Minor spare parts and service equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as property and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, namely:

	<i>Note</i>	<i>In Years</i>
Vessels in operations, excluding drydocking costs and vessel equipment and improvements	<i>4</i>	30 - 35*
Drydocking costs		2 - 2.5
Vessel equipment and improvements		3 - 5
Containers and reefer vans		5 - 10
Terminal and handling equipment		5 - 10
Furniture and other equipment		3 - 5
Land improvements		5 - 10
Buildings and warehouses		5 - 20
Transportation equipment		5 - 10
Spare parts and service equipment		3 - 5
Leasehold improvements		Shorter of 5 - 20 or lease term

**From the time the vessel was built.*

Depreciation or amortization commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held-for-sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.



When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Property

The Group's investment property pertains to a parcel of land of 2GO Express, is measured at cost, less any impairment loss.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

Transfers are made to (from) investment property when there is a change in use evidenced by ending (commencement) of owner-occupation, or, commencement of an operating lease to another party (commencement of development with a view to sell).

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Software

Software is initially recognized at cost. Following initial recognition, software is carried at cost, less accumulated amortization and any accumulated impairment losses.

The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software is available for use. The amortization period and the amortization method for the software are reviewed at each financial year end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the software.

Property Acquisitions and Business Combinations

Property Acquisitions. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.



Business Combinations. Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under 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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed in the consolidated statement of profit or loss.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Other equity reserves" account in the equity section of the consolidated statement of financial position.

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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured and subsequent settlement is accounted for within equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.



Impairment Testing of Goodwill. 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 (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Impairment of Nonfinancial Assets

The carrying values of the Group's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of profit or loss. After such a reversal, the depreciation or amortization 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.



Equity

Share capital is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital (APIC) is the difference between the proceeds and the par value when the shares are sold at a premium. Contributions received from shareholders are recorded at the fair value of the items received with the credit going to share capital and any excess to APIC.

Treasury Shares are the Group's own equity instruments that 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, issuance or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as APIC. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Other Comprehensive Income (Loss) (OCI) comprises items of income and expenses that are not recognized in profit or loss for the year. OCI of the Group includes net changes in FVTOCI financial assets, share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

Retained Earnings (Deficit) represents the cumulative balance of net income or loss, net of any dividend declaration and other capital adjustments.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

Shipping Revenues are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services. Customer payments for services which have not yet been rendered are classified as contract liabilities under "Trade and other payables" account in the consolidated statement of financial position.

Logistics Revenues are recognized when the related services have been rendered. Service fees are also recognized when cargoes are received by either shipper or consignee for export and import transactions.

Sale of Goods are recognized at the point in time when control of the asset is transferred to the customer, generally on the delivery of the goods.

Contract balances

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.

Trade 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). Refer to accounting policies of financial assets in section "Financial instruments - initial recognition and subsequent measurement".



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. 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.

Other Income

Rental Income arising from operating leases is recognized on a straight-line basis over the lease term.

Interest Income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Management Fee is recognized when the related services are rendered.

Dividend Income

is recognized when the shareholders' right to receive the payment is established.

Costs and Expenses

Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits

Majority of the subsidiaries of the Group have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit 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, adjusted for any effect of limiting the net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Re-measurements 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 on the earlier of the date of the plan amendment or curtailment, and the date the Group recognizes restructuring related costs.

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.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Foreign Currency-denominated Transactions and Translations

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not retranslated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Leases - Effective prior to January 1, 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group as a Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of profit or loss.



Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases - Effective January 1, 2019

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 a consideration.

Right-of-use assets are recognized at the commencement date of the lease. These 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 following amount:

- lease liabilities recognized;
- initial direct costs incurred; and
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows.

	In Years
Container Yard	10
Office	10
Warehouse	10
Outlet	3
Equipment	3-10

Lease liabilities are recognized at the commencement date of the lease and is 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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized cost. Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



The Group applies the following recognition exemptions:

- short-term lease (leases with lease term of 12 months or less from the commencement date and do not contain a purchase option); or
- low-value assets.

Lease payments under short-term leases and low value assets are recognized as rent expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

Current Tax. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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; and,
- with respect to deductible temporary differences associated with investments 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 reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period 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 liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added taxes (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Creditable withholding taxes (CWTs)

CWTs, included in "Other current assets" account in the consolidated statement of financial position, are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.



Basic/Diluted Earnings (Loss) Per Common Share (EPS)

Basic EPS is computed by dividing the net income (loss) for the period attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

For the purpose of computing diluted EPS, the net income (loss) for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

Dividends

Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed 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 when an inflow of economic benefits is probable.

Related Parties

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel (KMP), directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events After Reporting Period

Post yearend events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post yearend events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 6.



4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of performance obligation

Shipping and logistics and other services

The Group assessed that performance obligation for shipping and logistics and other services are rendered to the customers over time. As a result, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement.

Sale of goods

The Group assessed that performance obligation for sale of goods are satisfied at a point in time. The Group uses its judgement on when a customer obtains control of the promised goods. The Group has assessed that the actual delivery of the goods to the customer is the point in time when the performance obligation has been satisfied.

Determining whether the Group is acting as principal or an agent

The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Classification of Leases - the Group as a Lessee - Effective prior to January 1, 2019

The Group has entered into commercial property leases on its distribution warehouses, sales outlets, trucking facilities and administrative office locations. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.



The Group has also entered into finance lease agreements covering certain property and equipment. The Group has determined that it bears substantially all the risks and benefits incidental to ownership of said properties based on the terms of the contracts (such as existence of bargain purchase option and the present value of minimum lease payments amount to at least substantially all of the fair value of the leased asset). Refer to Note 18.

Classification of Leases - the Group as a Lessor - Effective prior to January 1, 2019

The Group has entered into short-term leases or chartering arrangements, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease. The Group also determines whether a particular contract contains an option to extend the lease or an option to terminate the lease.

Management determines that there are no enforceable options to extend or terminate the existing lease arrangements of the Group.

Evaluation of Events after the Reporting Period

Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event.

Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there are no significant adjusting or nonadjusting events after the reporting period.

Estimates and Assumptions

The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Leases - Estimation of Incremental Borrowing Rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).



Provision for ECL of Trade Receivables and Contract Assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. 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. Refer to Note 8.

Determination of NRV of Inventories

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Group also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Group's historical expiration experience. Refer to Note 9.

Estimation of Probable Losses on CWTs and Input VAT

The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2020 and 2019, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 14.

Estimation of Useful Lives of Property and Equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use until it is derecognized. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Specifically, in evaluating the useful lives of the vessels and related assets, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date purchased or built, development in the domestic shipping regulations, the fleet deployment plans including the timing of fleet replacements, the changes in technology, as well as the repairs and maintenance program, among others.



The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment. Refer to Note 11.

Assessment of Impairment and Estimation of Recoverable Amount of Property and equipment and Investments in Associates and Joint Ventures

The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

		December 31	
	Note	2020	2019
		(In Thousands)	
Property and equipment	11	₱4,806,893	₱6,442,797
Investments in associates and joint ventures	12	231,424	277,039

As at December 31, 2020 and 2019, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets is higher than their carrying values.

Management determined that no impairment loss has to be recognized on its investments in associates and joint ventures.

Impairment Testing of Goodwill. 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 (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of



whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. Refer to Note 13.

Estimation of Retirement Benefits Costs and Obligation

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 26 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 26.

Recognition of Deferred Income Tax Assets

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred income tax assets was recognized. Refer to Note 27.

Estimation of Provisions for Contingencies

The Group is involved in certain legal and administrative proceedings arising from the ordinary course of business. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Group does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 19.



5. Revenue from Contracts with Customers

Disaggregated revenue information

The disaggregation of the Group's revenue from contracts with customers is presented in the consolidated statement of profit or loss and disclosed in the operating segment information. The Group's disaggregation of revenue from contracts with customers based on categories that depict the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations and timing of revenue recognition

The Group's performance obligations are summarized below.

- Shipping and logistics and other services: performance obligations are generally satisfied over time once the delivery services are completed.
- Sale of goods: performance obligation is generally satisfied upon delivery of the goods to the customers which is the point in time where the control has been transferred to the customer.

6. Operating Segment Information

The Group has identified two reportable operating segments as follows:

- The shipping segment provides ocean-going transportation of passengers, rolling cargo, and freight cargo.
- The nonshipping segment provides logistics, sale of goods, supply chain management and other services.

The BOD monitors the operating results of its two operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues.

Revenues, expenses, results of operations, assets, liabilities and other information about the business segments are as follows:

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	<i>(In Thousands)</i>			
External customers	₱3,864,600	₱13,544,095	₱-	₱17,408,695
Intersegment revenue	962,181	633,439	(1,595,620)	-
Revenues from contracts with customers	₱4,826,781	₱14,177,534	(₱1,595,620)	₱17,408,695
Loss before income tax from continuing operations	(₱1,591,620)	(₱96,319)	(₱135,602)	(₱1,823,541)
Benefit from (Provision for) income tax	19,242	(38,440)	-	(19,198)
Segment loss from continuing operations	(₱1,572,378)	(₱134,759)	(₱135,602)	(₱1,842,739)
Segment assets	₱11,258,848	₱7,234,620	(₱3,734,012)	₱14,759,456
Segment liabilities	₱8,663,441	₱8,042,683	(₱3,613,672)	₱13,092,452



December 31, 2020				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
Other Information:				
Capital expenditures	₱379,559	₱29,053	₱-	₱408,612
Depreciation and amortization	1,511,479	344,016	-	1,855,495
Provision for ECL - net	-	40,828	-	40,828
Dividend income	117,000	18,602	(135,602)	-
Equity in net losses of associates and joint ventures	(17,248)	(26,286)	-	(43,534)
December 31, 2019				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱7,101,950	₱14,307,964	₱-	₱21,409,914
Intersegment revenue	673,925	735,040	(1,408,965)	-
Revenues from contracts with customers	₱7,775,875	₱15,043,004	(₱1,408,965)	₱21,409,914
Loss before income tax from continuing operations	(₱272,625)	(₱21,530)	(₱35,000)	(₱329,155)
Provision for income tax	(1,413)	(88,396)	-	(89,809)
Segment loss from continuing operations	(₱274,038)	(₱109,926)	(₱35,000)	(₱418,964)
Segment assets	₱13,141,049	₱7,349,968	(₱4,090,790)	₱16,400,227
Segment liabilities	₱8,133,568	₱8,164,960	(₱3,452,830)	₱12,845,698
Other Information:				
Capital expenditures	₱679,082	₱99,920	₱-	₱779,002
Depreciation and amortization	1,936,065	364,008	-	2,300,073
Provision for (Recovery of) ECL - net	546	(48,630)	-	(48,084)
Dividend income	35,000	-	(35,000)	-
Equity in net losses of associates and joint ventures	(25,875)	(23,807)	-	(49,682)
December 31, 2018				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱7,231,199	₱12,434,438	₱-	₱19,665,637
Intersegment revenue	1,368,031	639,979	(2,008,010)	-
Revenues from contracts with customers	₱8,599,230	₱13,074,417	(₱2,008,010)	₱19,665,637
Loss before income tax from continuing operations	(₱798,524)	(₱48,827)	(₱95,667)	(₱943,018)
Provision for (benefit from) income tax	13,577	(100,640)	-	(87,063)
Segment loss from continuing operations	(₱784,947)	(₱149,467)	(₱95,667)	(₱1,030,081)
Other Information:				
Capital expenditures	₱1,247,760	₱287,966	₱-	₱1,535,726
Depreciation and amortization	2,081,450	141,816	-	2,223,266
Reversal of ECL - net	(29,924)	(33,456)	-	(63,380)
Dividend income	42,000	53,667	(95,667)	-
Equity in net earnings (losses) of associates and joint ventures	10,919	(10,953)	-	(34)



Reconciliation of segment loss and net loss reported in the consolidated statements of profit or loss follows:

	Note	Years Ended December 31		
		2020	2019	2018
		<i>(In Thousands)</i>		
Segment loss		(P1,842,739)	(P418,964)	(P1,030,081)
Net loss from discontinued operations	32b	–	(473,250)	(439,822)
Net loss		(P1,842,739)	(P892,214)	(P1,469,903)

7. Cash and Cash Equivalents

This account consists of:

	Note	December 31	
		2020	2019
		<i>(In Thousands)</i>	
Cash on hand and in banks	20	P788,806	P867,419
Cash equivalents		101,321	25,121
		P890,127	P892,540

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at prevailing market rates.

Interest income earned by the Group from cash in banks and cash equivalents amounted to P1.2 million, P2.6 million and P7.6 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	December 31	
		2020	2019
		<i>(In Thousands)</i>	
Trade		P2,998,350	P3,695,278
Contract assets		841,625	421,545
Nontrade	20	988,869	1,104,418
Advances to officers and employees		37,810	21,175
		4,866,654	5,242,416
Less allowance for ECL		(738,677)	(1,136,847)
		P4,127,977	P4,105,569

- Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.
- Contract assets include unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers.



- c. Nontrade receivables include advances to principals, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand.

These also include the current portion of the receivable from Chelsea Logistics and Infrastructure Corp. amounting to ₱131.6 million and ₱113.5 million as of December 31, 2020 and 2019, respectively (see Notes 14, 20 and 32b). The Group recognized the related interest income for this receivable amounting to ₱37.7 million in 2020 and ₱7.0 million in 2019 (see Notes 20, 24 and 32b).

- d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2020 and 2019 and 2018:

December 31, 2020				
Note	Trade and Contract Assets	Nontrade	Total	
		(In Thousands)		
Beginning	₱774,276	₱362,571	₱1,136,847	
Provision	23 38,056	2,772	40,828	
Write-off/other adjustments	(228,548)	(209,398)	(437,946)	
Deconsolidation of subsidiaries	(1,052)	—	(1,052)	
Ending	₱582,732	₱155,945	₱738,677	

December 31, 2019				
Note	Trade and Contract Assets	Nontrade	Total	
		(In Thousands)		
Beginning	₱840,657	₱508,590	₱1,349,247	
Provision (recovery)	23 10,806	(58,890)	(48,084)	
Write-off/other adjustments	(77,187)	(85,227)	(162,414)	
Sale of a subsidiary	32 —	(1,902)	(1,902)	
Ending	₱774,276	₱362,571	₱1,136,847	

December 31, 2018				
Note	Trade and Contract Assets	Nontrade	Total	
		(In Thousands)		
Beginning	₱903,665	₱559,444	₱1,463,109	
Recovery	23 (22,730)	(40,650)	(63,380)	
Write-off/other adjustments	(19,842)	(9,888)	(29,730)	
Sale of subsidiaries	(20,436)	(316)	(20,752)	
Ending	₱840,657	₱508,590	₱1,349,247	

9. Inventories

This account consists of:

December 31		
	2020	2019
	(In Thousands)	
At lower of cost and net realizable value:		
Trading goods	₱605,020	₱721,863
Materials, parts and supplies	25,167	19,209
At cost:		
Fuel, oil and lubricants	43,674	70,733
	₱673,861	₱811,805



The cost of trading goods carried at net realizable value amounted to ₱651.2 million and ₱779.7 million as of December 31, 2020 and 2019 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱40.8 million and ₱44.2 million, respectively. The allowance for inventory obsolescence as of December 31, 2020 and 2019 amounted to ₱61.8 million and ₱82.8 million, respectively.

Costs of inventories were recognized and presented in the following accounts in the consolidated statements of profit or loss (see Notes 22 and 23):

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Continuing operations:				
Cost of services	22	₱1,712,633	₱3,201,693	₱2,956,358
Cost of goods sold	22	6,999,122	6,907,186	5,607,518
General and administrative expenses	23	10,335	7,125	9,291
Discontinued operations:	32b			
Cost of services		—	455,150	812,048
General and administrative expenses		—	187	324
		₱8,722,090	₱10,571,341	₱9,385,539

The cost of inventories used is presented as “Cost of services” and pertains mainly to fuel, oil and lubricants used in vessels’ operations, food and beverages sold by the shipping segment, and materials and supplies used. The cost of inventories expensed and presented as “Cost of goods sold” pertains to the trading goods sold by the nonshipping segment. The cost of inventories presented as “General and administrative expenses” pertains to office supplies.

10. Other Current Assets

This account consists of:

		December 31	
	Note	2020	2019
		(In Thousands)	
CWTs		₱1,777,346	₱1,595,425
Input VAT		109,579	74,048
Advances to suppliers and contractors		211,338	234,051
Refundable deposits - current portion	14	73,155	66,968
Prepaid expenses and others		74,957	97,554
		2,246,375	2,068,046
Less allowance for impairment losses		(5,934)	(13,851)
		₱2,240,441	₱2,054,195

- CWTs represent creditable tax certificates which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.
- Prepaid expenses and others include prepaid rent, insurance and taxes.



11. Property and Equipment

	December 31, 2020											Total
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Right-of-Use Assets	
	(In Thousands)											
Cost												
January 1, 2020	P11,282,999	P1,691,723	P812,067	P681,865	P493,288	P359,384	P448,577	P11,773	P767,248	P53	P2,413,533	P18,962,510
Additions	321,087	335	19,251	6,778	—	4,848	583	5,627	50,103	—	36,854	445,466
Disposals/retirements	—	(130,209)	(57)	(198,318)	—	(1,438)	(30,390)	—	(40,944)	—	(325,873)	(727,229)
Reclassifications/adjustments	—	268,069	28,883	—	—	—	8,232	—	—	—	(305,184)	—
December 31, 2020	11,604,086	1,829,918	860,144	490,325	493,288	362,794	427,002	17,400	776,407	53	1,819,330	18,680,747
Accumulated Depreciation and Amortization												
January 1, 2020	8,077,429	1,333,645	516,492	566,857	149,115	279,748	305,955	2,242	494,174	—	794,056	12,519,713
Depreciation and amortization	1,129,946	70,619	50,224	35,647	3,159	7,764	52,622	8,034	49,459	—	430,309	1,837,783
Disposals/retirements	—	(129,952)	(57)	(198,134)	—	(1,431)	(23,569)	—	(14,117)	—	(116,382)	(483,642)
Reclassifications/adjustments	—	205,142	19,662	67	—	—	8,034	—	—	—	(232,905)	—
December 31, 2020	9,207,375	1,479,454	586,321	404,437	152,274	286,081	343,042	10,276	529,516	—	875,078	13,873,854
Net carrying amounts	P2,396,711	P350,464	P273,823	P85,888	P341,014	P76,713	P83,960	P7,124	P246,891	P53	P944,252	P4,806,893
	December 31, 2019											Total
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land and Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Right-of-Use Assets	
	(In Thousands)											
Cost												
January 1, 2019	P13,875,697	P2,001,882	P745,352	P730,423	P486,306	P367,491	P446,578	P72,178	P725,606	P15,164	P1,836,149	P21,302,826
Additions	481,245	31,261	106,460	60,421	7,090	3,143	11,493	3,649	55,401	18,839	614,962	1,393,964
Disposals/retirements	(1,072,707)	(341,420)	(39,745)	(101,947)	(108)	(11,250)	(7,756)	(14,392)	(8,727)	—	(37,578)	(1,635,630)
Transferred assets from sale of subsidiaries	(2,001,236)	—	—	(7,032)	—	—	(1,738)	(49,662)	(5,032)	(33,950)	—	(2,098,650)
December 31, 2019	11,282,999	1,691,723	812,067	681,865	493,288	359,384	448,577	11,773	767,248	53	2,413,533	18,962,510
Accumulated Depreciation and Amortization												
January 1, 2019	8,638,799	1,614,229	503,650	620,026	145,214	283,703	266,165	18,938	460,742	—	287,507	12,838,973
Depreciation and amortization	1,491,950	60,815	50,301	48,731	3,901	7,295	49,123	9,931	44,708	—	518,618	2,285,373
Disposals/retirements	(971,880)	(341,399)	(37,459)	(95,395)	—	(11,250)	(7,640)	(1,796)	(6,705)	—	(12,069)	(1,485,593)
Transferred assets from sale of subsidiaries	(1,081,440)	—	—	(6,505)	—	—	(1,693)	(24,831)	(4,571)	—	—	(1,119,040)
December 31, 2019	8,077,429	1,333,645	516,492	566,857	149,115	279,748	305,955	2,242	494,174	—	794,056	12,519,713
Net carrying amounts	P3,205,570	P358,078	P295,575	P115,008	P344,173	P79,636	P142,622	P9,531	P273,074	P53	P1,619,477	P6,442,797



Property and Equipment under Lease

Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2020 and 2019 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2020, 2019 and 2018 amounting to ₱36.9 million, ₱614.9 million and nil, respectively. The related depreciation of the leased assets for the years ended December 31, 2020, 2019 and 2018 amounted to ₱430.3 million, ₱518.6 million and ₱74.6 million, respectively, were computed on the basis of the Group's depreciation policy for property and equipment. Set out below are the carrying amount of right-of-use assets as of December 31, 2020 and 2019:

December 31, 2020

	Container yard	Office	Warehouse	Outlet	Equipment	Total
	<i>(In Thousands)</i>					
Cost						
January 1, 2020	₱357,467	₱495,974	₱994,782	₱3,016	₱562,294	₱2,413,533
Additions	—	1,102	33,197	—	2,555	36,854
Disposal	(79,476)	(173,653)	(72,744)	—	—	(325,873)
Reclassification	—	—	—	—	(305,184)	(305,184)
December 31, 2020	277,991	323,423	955,235	3,016	259,665	1,819,330
Accumulated depreciation						
January 1, 2020	131,263	63,828	231,744	1,392	365,829	794,056
Depreciation	87,913	60,112	233,508	1,392	47,384	430,309
Disposal	(43,350)	(43,570)	(29,462)	—	—	(116,382)
Reclassification	—	—	—	—	(232,905)	(232,905)
December 31, 2020	175,826	80,370	435,790	2,784	180,308	875,078
Net Carrying Amount	₱102,165	₱243,053	₱519,445	₱232	₱79,357	₱944,252

December 31, 2019

	Container yard	Office	Warehouse	Outlet	Equipment	Total
	<i>(In Thousands)</i>					
Cost						
January 1, 2019	₱214,349	₱495,974	₱560,516	₱3,016	₱562,294	₱1,836,149
Additions	180,696	—	434,266	—	—	614,962
Disposal	(37,578)	—	—	—	—	(37,578)
December 31, 2019	357,467	495,974	994,782	3,016	562,294	2,413,533
Accumulated depreciation						
January 1, 2019	—	—	—	—	287,507	287,507
Depreciation	143,332	63,828	231,744	1,392	78,322	518,618
Disposal	(12,069)	—	—	—	—	(12,069)
December 31, 2019	131,263	63,828	231,744	1,392	365,829	794,056
Net Carrying Amount	₱226,204	₱432,146	₱763,038	₱1,624	₱196,465	₱1,619,477

Unpaid acquisition costs of property and equipment amounted to ₱50.6 million and ₱98.9 million as of December 31, 2020 and 2019, respectively.

Residual Value of Vessels

The Group reviews the residual value of the vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. The residual value for vessels is reassessed by management based on the lightweight and the market price of scrap metals and history of vessel disposal.



Vessels under Construction

In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two (2) passenger ferries, MV St. Camael and MV St. Sariel. The Group incurred construction cost of ₱198.0 million for the year ended December 31, 2017. Included in this amount are capitalized borrowing costs related to the loans payable amounting ₱3.6 million for the year ended December 31, 2017 calculated using the interest rate of 6.5%. In 2019, these vessels are part of transferred assets from sale of SFFC.

Capitalization of Drydocking Costs

Vessels in operations also include capitalized drydocking costs amounting to ₱174.9 million, ₱224.1 million and ₱697.3 million for the years ended December 31, 2020, 2019 and 2018, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment

The Group disposed certain property and equipment for consideration of ₱57.9 million, ₱191.6 million and ₱41.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. The proceeds from the disposal of property and equipment in 2019 pertain mainly to the sale of fully depreciated container vans. The proceeds in 2019 also include the consideration from the sale of two cargo vessels, which are part of the disposal group, amounting to ₱83.7 million (see Note 32b).

Depreciation and Amortization

Depreciation and amortization were recognized and presented in the following accounts in the consolidated statements of profit or loss:

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Continuing operations:				
Cost of services and goods sold	22	₱1,683,605	₱1,767,299	₱1,855,892
General and administrative expense	23	91,856	100,388	61,473
Other operational expenses	32c	62,322	17,365	—
Discontinued operations	32b	—	400,321	262,861
		₱1,837,783	₱2,285,373	₱2,180,226

Property and Equipment Held as Collateral

Containers and other equipment held or deemed as collateral for leases as at December 31, 2020 and 2019 amounted to ₱994.3 million and ₱1,619.5 million, respectively (see Note 18).



12. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures are as follows:

		Years ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Acquisition - cost:				
Balances at beginning of year		₱177,443	₱177,443	₱133,827
Acquisition during the year	14	—	—	50,000
Disposal		—	—	(6,384)
Balances at end of year		177,443	177,443	177,443
Accumulated equity in net earnings:				
Balances at beginning of year		93,241	142,923	152,969
Equity in net losses during the year		(43,534)	(49,682)	(34)
Disposal		—	—	(10,012)
Balances at end of year		49,707	93,241	142,923
Share in remeasurement gain on retirement benefits of associates and joint ventures		4,921	7,002	5,923
Share in cumulative translation adjustment of associates		(647)	(647)	(647)
		₱231,424	₱277,039	₱325,642

Summarized financial information of the Group's associates and joint ventures and reconciliation with the carrying amount of the investments in the consolidated financial statements are set as follows:

Statements of financial position	December 31	
	2020	2019
<i>(In Thousands)</i>		
Current assets	₱861,437	₱775,553
Noncurrent assets	568,083	628,704
Current liabilities	997,216	725,277
Noncurrent liabilities	86,242	156,604
Equity	346,062	522,374

Statements of comprehensive income	Years ended December 31		
	2020	2019	2018
<i>(In Thousands)</i>			
Revenue from contracts with customers	₱2,176,710	₱2,118,672	₱2,468,013
Net loss	(69,498)	(27,217)	(49,682)
Total comprehensive loss	(69,498)	(27,217)	(49,682)

Below is the reconciliation of the total equity of the associates and joint ventures and the investment in associates and joint ventures:

	Years ended December 31		
	2020	2019	2018
<i>(In Thousands)</i>			
Equity	₱346,062	₱522,374	₱556,975
Effective percentage of ownership	33% to 78%	33% to 78%	33% to 78%
Share in equity	₱231,424	₱277,039	₱325,642

*The Group effectively owns 33% of M CCP, 49% of KLI, 50% of Mober, 50% of HMPP1 and 78% of KLN.



13. Goodwill

Impairment Testing of Goodwill

As a result of the merger discussed in Note 1, the goodwill recognized in NN consolidated financial statements was recognized in 2GO consolidated financial statements, which arose from the acquisition of 2GO by NN in December 2010. The resulting goodwill from the business combination in 2010 amounted to ₱848.5 million which has been attributed to each of 2GO's CGUs. The recoverable amounts of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. As of December 31, 2020 and 2019, the carrying value of the goodwill amounted to ₱686.9 million, net of impairment loss recognized in prior years for certain CGUs. Goodwill allocated to the shipping and non-shipping business amounted to ₱580.7 million and ₱106.3 million, respectively.

Key Assumptions Used in VIU Calculations for the Shipping Business

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings before Interest, Tax, Depreciation and Allowance (EBITDA)

Budgeted EBITDA has been based on past experience adjusted for the following:

- *Passage and Cargo Revenue.* Management projected passage and cargo revenue in line with historical volumes and rates, adjusted for the number of round trips per year.
- *Rates, Exclusive of VAT.* Management expects an increase in passage and freight rates by 2% and 4%, respectively, in 2021 and in subsequent years based on the history of rates increases.
- *Fuel Prices.* Management expects fuel prices to increase in line with inflation. Management expects to recover from the Group's customers any change in fuel prices that are beyond budget through implementation of surcharge. Management believes the fuel surcharge would not cause any material change in the forecasted passenger and cargo volume.
- *Fixed Operating Costs and Expenses.* Based on the cost savings analysis made by management, terminal operation's fixed costs are expected to increase in line with inflation, partially mitigated by ongoing optimization of sites and assets in various locations in the Philippines.
- *Terminal and Overhead Expenses.* Management expects that costs and expenses, in general, will increase in line with inflation.

Discount rate

The discount rate applied to cash flow projections was between 12% and 13%.

Budgeted Capital Expenditure

Budgeted capital expenditure is based on maintenance requirements of the shipping business' fleet and land-based assets.

Terminal growth rate

Cash flows beyond the five-year period are extrapolated using a growth rate of 0% to 3%.

Sensitivity to Changes in Assumptions

Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.



Key Assumptions Used in VIU Calculations for the CGUs of the Nonshipping Business

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted Earnings Before Interest, Tax, Depreciation and Allowance (EBITDA)

Budgeted EBITDA has been based on past experience adjusted for the following:

- *Revenue Growth.* Management based the growth on the growth of the domestic logistics industry as a whole, which is historically positively correlated with Gross Domestic Product (GDP) growth.
- *Cost of Services and Goods Sold.* Management expects that the cost of services and goods sold will increase in line with revenue growth, and that general and administrative expenses and other operating expenses will increase due to inflation and the increasing scale of the nonshipping business.

Discount rate

The discount rate applied to cash flow projections was between 13% and 14%.

Budgeted Capital Expenditure

Budgeted capital expenditure is based on the process improvement of non-shipping business' information technology (IT) infrastructure.

Terminal growth rate

Cash flows beyond the five-year period are extrapolated using a growth rate of 0% to 3%.

Sensitivity to Changes in Assumptions

Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

14. Other Noncurrent Assets

	Note	December 31	
		2020	2019
		<i>(In Thousands)</i>	
Receivable from a related party - net of current portion	8,20,32b	₹396,481	₹518,363
Deferred input VAT		243,737	239,934
Software		172,749	120,443
Refundable deposits - net of current portion		85,024	84,692
Investment property		49,790	49,790
Others		146	2,827
		₹947,927	₹1,016,049

- Receivable from Chelsea Logistics Holdings Corporation pertains to long-term receivable arising from the sale of SFFC.
- Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.



- c. The movements in software are as follows:

		December 31		
	Note	2020	2019	2018
		(In Thousands)		
Cost				
Balances at beginning of year		₱297,050	₱247,188	₱209,131
Additions		70,972	57,089	41,898
Disposals/Retirement		(22,574)	(7,227)	(932)
Sale of subsidiaries		—	—	(2,909)
Balances at end of year		345,448	297,050	247,188
Accumulated Amortization				
Balances at beginning of year		176,607	169,134	129,081
Amortization	23	18,666	14,700	43,040
Disposals/Retirement		(22,574)	(7,227)	(912)
Sale of subsidiaries		—	—	(2,075)
Balances at end of year		172,699	176,607	169,134
Carrying Amount		₱172,749	₱120,443	₱78,054

Amortization was recognized and presented in the consolidated statements of profit or loss under “General and administrative expenses”.

- d. Refundable deposits consist of amounts paid for rental deposits which can be applied as rental payment at the end of the lease term or can be collected in cash upon termination of the lease.
- e. The Group’s investment property pertains to a parcel of land not currently being used in operations. The fair value of the investment property based on the latest appraisal report January 12, 2018 amounted to ₱74.6 million. This was determined based on the valuation performed by qualified, independent and SEC-accredited appraiser using the Market Data Approach.

The Group assessed that the fair value determination for the investment property was Level 3 since significant unobservable inputs were used in the valuation. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value. Management assessed that there was no significant change on the fair value of investment property as at December 31, 2020.

For the years ended December 31, 2020, 2019 and 2018, there were no income and expenses arising from the Group’s investment property.

15. Short-term Notes Payable

Notes payable represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 3.85% to 4.75% in 2020, 4.25% to 6.75% in 2019 and 5.00% to 8.50% in 2018. Total interest expense incurred by the Group for short-term notes payable was ₱145.2 million, ₱148.3 million and ₱81.7 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 24).



16. Trade and Other Payables

	Note	December 31	
		2020	2019
		<i>(In Thousands)</i>	
Trade	20	₱995,188	₱2,330,980
Accruals:			
Expenses	20	3,269,716	2,411,031
Co-loading termination cost	20,24	352,062	—
Salaries and wages		111,296	116,585
Interest		59,292	18,088
Withholding and other taxes		52,449	36,697
Capital expenditure		50,622	98,900
Nontrade		874,900	575,432
Contract liabilities		67,125	52,477
Other payables	19,20	129,283	102,363
		₱5,961,933	₱5,742,553

- Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Trade payables from related parties are payable on demand.
- Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.
- Nontrade payables consist of customers' deposits, advances from principals and contractors, agencies and others.
- Contract liabilities include advance payments received for services to be rendered. Set out below is the amount of revenue recognized from:

	December 31	
	2020	2019
	<i>(In Thousands)</i>	
Amounts included in contract liabilities at the beginning of the year	₱52,477	₱42,326

- Other payables include provision for contingencies amounting to ₱57.2 million and ₱35.0 million as at December 31, 2020 and 2019 (see Note 19).

17. Long-term Debt

Long-term debt consists of:

	Note	December 31	
		2020	2019
		<i>(In Thousands)</i>	
Banco de Oro Unibank, Inc. (BDO)	20	₱3,500,000	₱2,500,000
Asia United Bank		—	1,500
Unamortized debt arrangement fees		(14,920)	(12,847)
		3,485,080	2,488,653
Current portion		—	(1,500)
Noncurrent portion		₱3,485,080	₱2,487,153



BDO Term Loan Facility

On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO (“Facility”) to refinance the outstanding balance from its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly based on the prevailing interest rates. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively. Interest rates range from 5.25% to 6.23%. The interest rate is subject to periodic review and adjustment earlier than five banking days prior to each “Interest Setting Date” as long as the term loan remains unpaid.

The facility is secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI.

In accordance with the term loan facility agreement, 2GO is required to maintain a debt to equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

Borrowing Costs and Debt Transaction Costs

Interests from long-term borrowings of the Group recognized as expense totaled ₱183.6 million, ₱172.5 million and ₱172.7 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 24).

The Group paid ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱5.4 million, ₱3.4 million and ₱2.6 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 24).

Compliance with debt covenants

At December 31, 2020, the Group was not compliant with the debt-to-equity ratio under the Group’s long-term loan agreement with BDO. However, the Group obtained a waiver letter from BDO which waives the financial covenant at December 31, 2020 and 2021. At December 31, 2019, the Group was compliant with its debt covenants.

18. Leases

The Group has various lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment, transportation equipment, warehouses, container yards and office space.

The future minimum lease payments on the obligations under lease together with the present value of the minimum lease payments are as follows:

	December 31, 2020		December 31, 2019	
	Future Minimum Lease Payments	Present Value of Minimum Lease payments	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	₱419,725	₱372,669	₱531,724	₱449,427
Between one and five years	518,629	429,093	925,142	771,231
Between six and ten years	193,140	183,301	387,521	365,100
	1,131,494	985,063	1,844,387	1,585,758
Interest component	146,431	—	258,629	—
Present value	₱985,063	₱985,063	₱1,585,758	₱1,585,758



The interest expense recognized related to these leases amounted to ₱68.7 million, ₱93.2 million and ₱13.1 million for the years ended December 31, 2020, 2019 and 2018, respectively, under “Financing charges” account in the consolidated statements of profit or loss (see Note 24).

Set out below are the amounts recognized in the consolidated statement of profit or loss for the years ended December 31, 2020 and 2019 in relation to the obligation under lease and the related right-of-use assets, and for the year ended December 31, 2018 in relation to the obligations under finance lease and operating lease:

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Continuing operations:				
Depreciation expense of right-of-use assets	11	P430,309	P518,619	P—
Interest expense on obligation under lease	24	75,948	102,029	—
Interest expense on obligation under finance lease	24	—	—	13,082
Rent expense - short-term leases	22,23	276,332	300,627	—
Rent expense - low value assets	22,23	3,546	4,763	—
Rent expense	22,23	—	—	834,506
Gain on lease pre-termination	24	(14,581)	—	—
Discontinued operations	32b	—	70,550	15,274
		P771,554	P996,588	P862,862

The rollforward analysis of obligation under lease for the years ended December 31, 2020 and 2019 is disclosed in Note 31.

Lease-related expenses are presented under “Cost of Services and Goods Sold”, “General and Administrative Expenses”, “Financing Charges”, “Other operational expenses” and “Others - net” as follows:

		Years Ended December 31		
	Note	2020	2019	2018
Continuing operations:		(In Thousands)		
Cost of services and goods sold	22	₱620,756	₱728,233	₱706,325
General and administrative expenses	23	74,305	78,411	128,181
Financing charges	24	68,682	93,156	13,082
Other operational expenses	32c	11,895	26,238	—
Others - net		(4,084)	—	—
Discontinued operations	32b	—	70,550	15,274
		₱771,554	₱996,588	₱862,862

19. Provisions and Contingencies

There are certain legal cases filed against the Group in the normal course of business. Management and its legal counsel believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group’s position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Group’s provision for probable losses arising from these legal cases as at December 31, 2020 and 2019 amounted to ₱57.2 million and ₱35.0 million as at December 31, 2020 and 2019, respectively. Provision for probable losses recognized in the consolidated statements of profit or loss amounted to ₱22.1 million and nil in 2020 and 2019, respectively (see Note 23).



20. Related Parties

In the normal course of business, the Group has transacted with the following related parties:

Relationship	Name
Stockholders of the Company	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)
Subsidiaries	SM Investments Corporation (SMIC) 2GO Express, Inc. (2GO Express) 2GO Logistics, Inc. (2GO Logistics) Scanasia Overseas, Inc. (SOI) Hapag-Lloyd Philippines, Inc. (HLP) ⁽¹⁾ WRR Trucking Corporation (WTC) Special Container and Value Added Services, Inc. (SCVASI) The Supercat Fast Ferry Corporation (SFFC) ⁽²⁾ WG & A Supercommerce, Inc. (WSI) ⁽³⁾ 2GO Rush, Inc. (Rush) ⁽³⁾ NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI) North Harbor Tugs Corporation (NHTC) Astir Engineering Works, Inc. (AEWI) ⁽³⁾ United South Dockhandlers, Inc. (USDI) Super Terminals, Inc. (STI) ^{(3) (4)} J&A Services Corporation (JASC) ⁽⁴⁾ Red.Dot Corporation (RDC) ⁽⁵⁾ SuperSail Corporation (SSI) ⁽⁵⁾ Brisk Nautilus Dock Integrated Services, Inc. (BNDISI) ⁽³⁾ Sea Merchants Inc. (SMI) ^{(3) (4)} Bluemarine Inc. (BMI) ^{(3) (4)} Negrense Marine Integrated Services, Inc. (NMISI) ⁽⁵⁾
Associates	MCC Transport Philippines, Inc. (MCCP) Hansa Meyer Projects (Phils.), Inc. (HMPPI) ⁽¹⁾ Mober Technology PTE Inc.
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN) Kerry Logistics (Phils.), Inc. (KLI)
Other Affiliated Companies	Chelsea Marine Power Resources, Inc. Phoenix Petroleum Philippines, Inc. PNX – Chelsea Shipping Corp. Supervalue, Inc. BDO Unibank, Inc. SM Investments Corp.

(1) Corporate life ended in 2019.

(2) Sold in 2019. Related party disclosure pertains to the transactions until the date of sale.

(3) Dormant companies.

(4) Corporate life ended in 2020.

(5) Sold in 2018. Related party disclosure pertains to the transactions until the date of sale.



The following are the revenue and income (costs and expenses) included in the consolidated statements of profit or loss with related parties:

		Years Ended December 31		
		2020	2019	2018
Nature		(In Thousands)		
Stockholders of the Company	Co-loading	(P114,462)	(P269,957)	(P446,050)
	Outside services	—	(69,370)	(325,562)
	Communication, light and water	—	(5,096)	(5,238)
	Gain on sale of a subsidiary	—	52,063	—
	Interest income	37,733	6,992	—
Associates and joint venture	Freight revenue	5,900	15,427	2,260
	Shared cost	—	—	(469)
	Freight expense	(48,912)	(69,267)	(71,286)
	Other overhead expense	—	—	(484)
Other Affiliated Companies	Freight revenue	7,790	12,253	13,969
	Fuel and lubricant	(302)	(2,568,806)	(2,605,615)
	Food and beverage	(137,416)	(419,213)	(278,446)
	Interest	(58,130)	(31,432)	(151,140)
	Co-loading termination cost	(352,062)	—	—
	Outside services	(203,947)	(115,920)	—
	Office supplies	—	(304)	—
Key Management Personnel	Short-term employee benefits	(59,343)	(58,147)	(77,670)

The consolidated statements of financial position include the following amounts with respect to the balances with related parties:

Financial Statement			December 31	
	Account	Terms and Conditions	2020	2019
(In Thousands)				
Associates and joint venture	Trade receivables	30 to 60 days; noninterest-bearing	₱22,921	₱129,233
	Nontrade receivables	On demand; noninterest-bearing	82,814	5,000
	Trade payables	30 to 60 days; noninterest-bearing	(9,630)	(7,484)
	Accrued expenses	30 to 60 days; noninterest-bearing	(746)	(12,565)
	Due to related parties	30 to 60 days; noninterest-bearing	(405)	—
Stockholders of the Parent Company	Long-term receivable	5-year; interest-bearing	528,132	631,858
Other Affiliated Companies	Short-term loan	See Note 15	(1,067,000)	(1,363,500)
	Long-term debt	See Note 18	(3,485,080)	(2,487,153)
	Cash in bank	On demand	504,352	748,567
	Nontrade receivables	On demand; noninterest-bearing	44,372	—
	Accrued expenses	30 to 60 days; noninterest-bearing	(548,759)	(641,111)
	Trade payables	30 to 60 days; noninterest-bearing	(42,067)	(38,093)

The outstanding related party balances are unsecured and settlement is expected to be in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with Subsidiaries, Associates and Other Related Parties under Common Control

- Transactions with other associates and related companies consist of shipping and co-loading services, shared services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, and repair services and rental.
- The Company's transactions with 2GO Express Group include shipping and forwarding services, commission and trucking services.
- The Company provided shared services to SFFC, 2GO Express, 2GO Logistics, HLP and SOI at fees based on agreed rates. Shared services to SFFC and HLP ceased in 2019 and 2018, respectively.



- In October 2019, the Group sold SFFC to Chelsea Logistics for ₱650.0 million, of which ₱528.1 million and ₱631.9 million is the unpaid consideration as of December 31, 2020 and 2019, respectively (see Note 32b).
- In 2020, certain subsidiaries of the Group were deconsolidated as their corporate life ended during the year.

Intercompany Balances Eliminated during Consolidation

The following are the intercompany balances among related parties which are eliminated in the consolidated financial statements:

Amounts owed to:	Amounts owed by:	Terms and Conditions	2020	2019
<i>(In Thousands)</i>				
2GO	SFFC/SCVASI/EXP/2GOLI/SOI/HLP/WTC/ NLMHCI	30 to 60 days; noninterest-bearing	₱3,157,655	₱3,036,798
EXP	2GO/SFFC/SCVASI/2GOLI/SOI/WTC/ NLMHCI	30 to 60 days; noninterest-bearing	133,287	129,356
2GOLI	2GO/SCVASI/EXP/SOI/WTC	30 to 60 days; noninterest-bearing	115,627	68,570
SOI	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	59,744	31,906
SCVASI	2GO	30 to 60 days; noninterest-bearing	50,089	52,995
NLMHCI	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	48,294	48,294
BRISK	2GO	30 to 60 days; noninterest-bearing	38,613	38,613
WTC	EXP/2GOLI	30 to 60 days; noninterest-bearing	9,040	15,575
USDI	2GO	30 to 60 days; noninterest-bearing	7,428	10,607
AEWI	2GO	30 to 60 days; noninterest-bearing	7,622	7,622
NHTC	2GO/JASC	30 to 60 days; noninterest-bearing	6,272	3,282
STI	2GO	30 to 60 days; noninterest-bearing	—	80

21. Equity

a. Share Capital

Details of share capital as at December 31, 2020 and 2019 are as follows:

	Number of Shares	Amount
<i>(In Thousands)</i>		
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Authorized preferred shares at ₱1.00 par value each	4,564,330	₱4,564
Issued and outstanding common shares as at December 31, 2019	2,462,146,316	₱2,462,146
Issued and outstanding common shares as at December 31, 2020	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks as of incorporation date	₱1,000.00	1,002
December 10, 1971 to October 26, 1998	Increase in issued capital stock	1,000.00	1,496,597,636
December 6, 2002	Reclassification of common shares to preferred shares	1.00	40,000,000
February 10, 2003	Issuance of preferred shares before redemption	1.00	—
November 18, 2003	Redemption of preferred shares	6.67	—
September 6, 2004	Issuance of common shares by way of stock dividends	1.00	393,246,555
November 22, 2004	Redemption of preferred shares	6.67	—
December 31, 2004	Issuance of common shares prior to reorganization	1.00	(756)
October 24, 2005	Issuance of common shares through share swap transactions	1.76	414,121,123
August 22 to October 13, 2006	Conversion of redeemable preferred shares to common shares	3.20	140,687,340
December 6 -31, 2012	Redemption of redeemable preference share	6.00	—
January 1, 2019	Issuance of common shares	1.00	16,009,916
December 31, 2001	Treasury shares*	1.50	2,500,662,816 (38,516,500)
			2,462,146,316

* The carrying value of treasury shares is inclusive of ₱0.9 million transaction cost.



Issued and outstanding common shares are held by 5,118 and 5,120 equity holders as of December 31, 2020 and 2019, respectively.

- b. As discussed in Note 1, 2GO issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of NN in exchange for the net assets of NN. As a result, 2GO recognized the excess of the consolidated net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to ₱1.6 billion and other equity reserves amounting to ₱712.2 million.
- c. Retained earnings include undistributed earnings amounting to ₱1,057.2 million and ₱1,159.6 million as of December 31, 2020 and 2019, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of December 31, 2020 and 2019.
- d. Other equity reserves pertain to the Group's excess investment cost over the net assets of acquired entities under common control at the date of acquisition.

22. Cost of Services and Goods Sold

This account consists of the following:

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Cost of Services				
Transportation and delivery	20	₱2,812,218	₱3,247,658	₱3,624,435
Outside services	20	1,847,066	2,139,220	1,489,944
Depreciation and amortization	11, 14	1,683,605	1,767,299	1,855,892
Fuel, oil and lubricants	9	1,506,810	2,675,712	2,347,926
Personnel costs	25, 26	687,737	726,815	761,633
Rent	18	264,472	307,782	738,003
Repairs and maintenance	20	216,287	533,728	505,261
Insurance		197,173	225,840	208,254
Arrastre and stevedoring	20	160,816	172,539	184,916
Material and supplies used	9	111,246	180,657	202,418
Communication, light and water		101,166	118,865	106,865
Food and beverage	9	94,577	345,324	406,014
Concession expenses		55,641	90,948	109,170
Food and subsistence		52,223	126,154	114,378
Taxes and licenses		27,159	38,543	39,160
Others		39,568	50,780	133,096
		9,857,764	12,747,864	12,827,365
Cost of Goods Sold	9	6,999,122	6,907,186	5,607,518
		₱16,856,886	₱19,655,050	₱18,434,883

Fuel, oil and lubricants include the effect of cash flow hedge amounting to ₱57.1 million in 2020, ₱0.9 million in 2019 and nil in 2018.



23. General and Administrative Expenses

This account consists of the following:

		Years Ended December 31		
	Note	2020	2019	2018
		<i>(In Thousands)</i>		
Personnel costs	25, 26	₱673,284	₱725,424	₱791,362
Outside services	20	207,373	249,467	248,969
Depreciation and amortization	11, 14	110,522	115,088	104,513
Transportation and travel	20	83,700	83,204	147,799
Computer charges		53,616	44,896	46,046
Communication, light and water		52,284	56,773	76,621
Taxes and licenses		46,015	51,051	83,712
Provision for ECL	8	40,828	—	—
Provision for contingencies	19	22,109	—	—
Repairs and maintenance	20	18,238	13,883	29,172
Advertising and promotion		16,801	61,692	124,599
Rent	18	15,406	17,592	128,181
Insurance		12,368	9,929	13,420
Office supplies	9	10,335	7,125	9,291
Inventory obsolescence		9,094	—	—
Entertainment, amusement and recreation		7,485	22,645	34,187
Special projects		460	—	19,219
Others	8	102,721	50,331	66,219
		₱1,482,639	₱1,509,100	₱1,923,310

Others consist of various expenses that are individually immaterial such as input vat expense and other corporate expenses. This account includes recovery from doubtful accounts amounting to ₱48.1 million in 2019 (see Note 8).

24. Other Income (Charges)

Financing Charges

		Years Ended December 31		
	Note	2020	2019	2018
		<i>(In Thousands)</i>		
Interest expense on:				
Short-term notes payable	15	₱145,163	₱148,319	₱81,654
Long-term debt	17	183,602	172,499	172,701
Amortization of:				
Obligations under lease	18	68,682	93,156	—
Obligations under finance lease	18	—	—	13,082
Debt transaction costs	17	5,427	3,436	2,593
Other financing charges		2,955	3,916	27,219
		₱405,829	₱421,326	₱297,249

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2020 and 2019 amounted to ₱59.3 million and ₱18.1 million, respectively (see Note 16).



Others - net

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Interest income	7, 20	₱39,731	₱16,971	₱17,086
Gain on:				
Disposal of property and equipment	11	23,835	82,859	14,789
Cessation of business of subsidiaries	20	32,652	—	1,098
Pre-termination of leases	18	4,084	—	—
Disposal of associate		—	—	3,604
Foreign exchange gains (losses)		(1,472)	1,441	33,603
Impairment of assets		—	(2,658)	—
Co-loading termination cost		(352,062)	—	—
Others - net		39,956	(4,262)	(23,359)
		(₱213,276)	₱94,351	₱46,821

During 2018, the Group sold certain wholly owned and non-wholly owned subsidiary for a total consideration of ₱58.0 million. Net assets of disposed subsidiaries amounted to ₱56.9 million. During 2019, the Group sold SFFC (wholly owned subsidiary) and cargo vessels (see Note 32b).

During 2020, the Group terminated its co-loading agreement with PNX-Chelsea Shipping Corp. to focus on its core shipping roll-on-roll-off-passenger (ROPAX) services and improve profitability.

Others - net comprise of prompt payment discount and other items that are individually immaterial.

25. Personnel Costs

Details of personnel costs are as follows:

		Years Ended December 31		
	Note	2020	2019	2018
		(In Thousands)		
Salaries and wages		₱1,108,506	₱1,292,065	₱1,246,578
Retirement benefit cost	26	108,019	64,064	53,621
Other employee benefits		144,496	267,853	352,866
		₱1,361,021	₱1,623,982	₱1,653,065

Other employee benefits include medical allowances and hospitalization, Social Security System, PhilHealth, Pag-ibig premiums, directors' fee, and other items that are individually immaterial.

26. Retirement Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Group's retirement plans meet the minimum requirement specified under Republic Act No. 7641, *Retirement Pay Law*.

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group does not expect to contribute to the retirement fund in 2021. The Group's transaction with the plan pertain to contribution and benefit payments.



The following tables summarize the components of retirement benefit cost included in the consolidated statements of profit or loss are as follows:

	Note	Years Ended December 31		
		2020	2019	2018
From continuing operations:		<i>(In Thousands)</i>		
Current service cost		₱88,483	₱48,395	₱86,068
Net interest cost		19,536	15,669	10,836
Curtailment gain		—	—	(43,283)
		108,019	64,064	53,621
From discontinued operations:	32b			
Current service cost		—	13,601	6,842
		₱108,019	₱77,665	₱60,463

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position:

	December 31, 2020		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
	<i>(In Thousands)</i>		
January 1	₱591,423	(₱252,617)	₱338,806
Net retirement benefits cost in profit or loss:			
Current service cost	88,483	—	88,483
Net interest cost	31,833	(12,297)	19,536
	120,316	(12,297)	108,019
Benefits paid from:			
Plan assets	(62,925)	62,925	—
Book reserve	(2,841)	—	(2,841)
	(65,766)	62,925	(2,841)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	119,271	—	119,271
Experience adjustments	(73,784)	—	(73,784)
Return on plan assets	—	12,609	12,609
	45,487	12,609	58,096
Actual contributions	—	(15,257)	(15,257)
Reclassification/adjustment	(585)	909	324
December 31	₱690,875	(₱203,728)	₱487,147

	December 31, 2019		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
	<i>(In Thousands)</i>		
January 1	₱455,352	(₱243,932)	₱211,420
Net retirement benefits cost in profit or loss:			
Current service cost	61,996	—	61,996
Net interest cost	33,253	(17,584)	15,669
	95,249	(17,584)	77,665
Benefits paid from:			
Plan assets	(46,634)	46,634	—
Book reserve	(12,959)	—	(12,959)
	(59,593)	46,634	(12,959)
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	149,021	—	149,021
Experience adjustments	(21,099)	—	(21,099)
Return on plan assets	—	5,060	5,060
	127,922	5,060	132,982
Actual contributions	—	(59,967)	(59,967)
Additions due to merger	—	(4,408)	(4,408)
Transfer of liability and fund asset of sold subsidiary	(27,507)	21,580	(5,927)
December 31	₱591,423	(₱252,617)	₱338,806



The plan assets available for benefits are as follows:

	December 31	
	2020	2019
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱19	₱852
Receivables	—	3,573
Investments in debt securities	209,141	245,476
Others	(5,432)	2,716
Fair value of plan assets	₱203,728	₱252,617

The Group's plan assets do not have quoted market price in an active market except for some debt instruments held by the Group. The plan assets have diverse investments and do not have any concentration risk. The plan asset is handled by BDO Unibank Inc.

As of December 31, 2020 and 2019, the Group has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Group.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The Group updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining defined benefit obligation for the Group's plans as of January 1 are shown below.

	2020	2019
Discount rate	3.34% - 5.55%	7.71% - 7.92%
Future salary increase	6.00%	6.00%
Turnover rate	0.00% - 7.50%	0.00% - 7.50%

As of December 31, 2020, the discount rate, future salary increase rate and turnover rate are 3.96% to 4.17%, 6.00%, and 0.00% to 7.50%, respectively.

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2020 and 2019.

	Increase (Decrease)	Impact on Accrued Retirement Benefits	
		2020	2019
		<i>(In Thousands)</i>	
Discount rate	+1%	(₱89,308)	(₱70,695)
	-1%	108,340	85,107
Salary increase rate	+1%	105,017	83,707
	-1%	(88,544)	(70,936)



Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation is 16.15 years and 15.5 years as of December 31, 2020 and 2019, respectively.

Maturity analysis of the benefit payments:

	2020	2019
	<i>(In Thousands)</i>	
Less than 5 years	₱110,495	₱121,153
5 years to 10 years	314,745	371,141
More than 10 years	5,076,976	5,716,025

27. Income Taxes

a. The components of provision for income tax are as follows:

	Years Ended December 31		
	2020	2019	2018
	<i>(In Thousands)</i>		
Current:			
RCIT	₱30,740	₱94,966	₱100,402
MCIT	33,008	10,379	13,918
	63,748	105,345	114,320
Deferred	(44,550)	(5,787)	(3,092)
	₱19,198	₱99,558	₱111,228

Below is the reconciliation of the provision for income tax from continuing and discontinued operations:

	Years Ended December 31		
	2020	2019	2018
	<i>(In Thousands)</i>		
Continuing operations	₱19,198	₱89,809	₱87,063
Discontinued operations	—	9,749	24,165
	₱19,198	₱99,558	₱111,228



- b. The components of the Group's recognized net deferred tax assets and liabilities are as follows:

	Years ended December 31	
	2020	2019
	<i>(In Thousands)</i>	
Directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued retirement benefits	₱35,569	₱16,805
Unamortized past service cost	11,701	14,310
Allowance for ECL	—	3,769
Obligations under lease, net of right-of-use assets	10,913	7,650
Accruals and others	6,589	3,731
	64,772	46,265
Deferred income tax liabilities on unamortized debt arrangement fees and other taxable temporary differences	(4,480)	(7,868)
	60,292	38,397
Directly recognized in OCI:		
Deferred income tax asset on:		
Remeasurement of retirement benefits cost	93,618	75,813
Cash flow hedge reserve	—	(873)
	₱153,910	₱113,337

Deferred income tax assets on obligations under lease, net of deferred income tax liabilities on right-of-use assets, pertain to lease arrangements that are classified as operating lease for tax purposes.

- c. On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's NOLCO and excess MCIT over RCIT which can be carried forward and claimed as tax credit against regular taxable income and regular income tax due, respectively, are as follows:

NOLCO

							Balances as at December 31, 2020
Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	Amount	Tax Effect
<i>(In Thousands)</i>							
2020	2025	₱1,288,996	₱—	₱—	₱—	₱1,288,996	₱386,699
2019	2022	1,327,799	(3,000)	—	(98,742)	1,226,057	367,817
2018	2021	1,689,229	—	—	(167,392)	1,521,837	456,551
2017	2020	148,677	(26,349)	(87,689)	(34,639)	—	—
		₱4,454,701	(₱29,349)	(₱87,689)	(₱300,773)	₱4,036,890	₱1,211,067



Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Divestment of subsidiary	Balances as at December 31, 2020
<i>(In Thousands)</i>						
2020	2023	₱32,579	₱-	₱-	₱-	₱32,579
2019	2022	13,379	(41)	-	-	13,338
2018	2021	14,314	-	-	(2,576)	11,738
2017	2020	22,973	(14,415)	(7,802)	(756)	-
		₱83,245	(₱14,456)	(₱7,802)	(₱3,332)	₱57,655

- d. The following are the Group's NOLCO, excess MCIT over RCIT and other deductible temporary differences for which no deferred tax assets have been recognized:

	December 31	
	2020	2019
<i>(In Thousands)</i>		
NOLCO	₱4,036,890	₱2,873,936
Allowance for ECL/doubtful accounts	551,329	1,124,284
Allowance for inventory obsolescence	61,786	82,839
Allowance for cargo losses and damages	291,255	311,037
Accruals and provisions	408,740	35,140
Unamortized past service cost	7,419	9,042
Unrealized foreign exchange loss	1,727	106
Excess of MCIT over RCIT	57,655	41,508
Accrued retirement	45,536	38,527
Obligation under lease, net of related right-of-use assets	45,949	40,156

- e. Reconciliation between the income tax expense computed at statutory income tax rate of 30% in 2020, 2019 and 2018 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2020	2019	2018
<i>(In Thousands)</i>			
Tax effect of income at statutory rates	(₱547,062)	(₱237,797)	(₱407,603)
Income tax effects of:			
Deductible temporary differences for which no deferred tax assets were recognized	563,082	374,721	570,397
Nondeductible expense	15,275	5,823	17,928
Interest income already subjected to final tax	(393)	(1,175)	(2,367)
Equity in net losses of associates	13,060	14,905	10
Income tax holiday incentive on registered activities	-	(29,238)	(27,095)
Others	(24,764)	(27,681)	(40,042)
Provision for income tax	₱19,198	₱99,558	₱111,228



28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2020	2019	2018
	<i>(In Thousands, except weighted average number of common shares and loss per common shares)</i>		
Net loss for the year attributable to equity holders of the Parent Company	(P1,842,670)	(P890,352)	(P1,467,495)
Net loss for the year attributable to equity holders of the Parent Company (from continuing operations)	(P1,842,670)	(P418,087)	(P1,027,672)
Weighted average number of common shares outstanding during the year	2,462,146,316	2,462,146,316	2,446,136,000
Loss per common share	(P0.7484)	(P0.3616)	(P0.5999)
Loss per common share (from continuing operations)	(P0.7484)	(P0.1698)	(P0.4202)

There are no potentially dilutive common shares as at December 31, 2020, 2019 and 2018.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt, obligations under lease and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other various financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk involving possible exposure to counter-party default, primarily, on its trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments and maturing obligations; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings; and interest rate risk resulting from movements in interest rates that may have an impact on interest bearing financial instruments.

There has been no change to the Group's exposure to credit, liquidity, foreign exchange and interest rate risks on the manner in which it manages and measures the risks since prior years.

The Group uses derivative instruments to manage exposures to fuel price risks arising from the Group's operations and its sources of financing. The details of the Group's derivative transactions, including the risk management objectives and the accounting results, are discussed in this note.



Credit Risk

To manage credit risk, the Group has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. The Group has policies that limit the amount of credit exposure to any particular customer.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of December 31, 2020 and 2019, the Group did not hold collateral from any counterparty.

The credit quality per class of financial assets and contract assets that are current and neither past due nor impaired is as follows:

December 31, 2020

	High	Medium	Total
	(In Thousands)		
Financial assets:			
Cash in banks	₱740,993	₱—	₱740,993
Cash equivalents	101,321	—	101,321
Trade receivables*	—	1,556,999	1,556,999
Nontrade receivables	531,281	386,578	917,859
Advances to officers and employees**	4,026	—	4,026
Refundable deposits	158,179	—	158,179
Contract assets	—	841,625	841,625
Total	₱1,535,800	₱2,785,202	₱4,321,002

*Excluding nonfinancial asset amounting to ₱74.0 million.

**Excluding advances amounting to ₱33.8 million subject to liquidation.

December 31, 2019

	High	Medium	Total
	(In Thousands)		
Financial assets:			
Cash in banks	₱821,951	₱—	₱821,951
Cash equivalents	25,121	—	25,121
Trade receivables*	—	1,212,539	1,212,539
Nontrade receivables	631,858	120,591	752,449
Advances to officers and employees**	5,343	—	5,343
Refundable deposits	151,660	—	151,660
Contract assets	—	421,545	421,545
Total	₱1,635,933	₱1,754,675	₱3,390,608

*Excluding nonfinancial asset amounting to ₱31.0 million.

**Excluding advances amounting to ₱15.8 million subject to liquidation.

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Group has no basis yet as far as payment habit is concerned.

The Group evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Group also evaluated its advances to officers and employees as high grade since these are collected through salary deductions.



The aging per class of financial assets, contract assets and expected credit loss are as follows:

December 31, 2020	Current	Past Due					Expected Credit Loss	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
(In Thousands)								
Financial assets:								
Cash in banks	₱740,993	₱-	₱-	₱-	₱-	₱-	₱-	₱740,993
Cash equivalents ¹	101,321	-	-	-	-	-	-	101,321
Trade receivables ¹	1,556,999	439,447	210,870	129,490	246,091	341,485	(534,885)	2,389,497
Nontrade receivables ²	917,859	26,644	37,809	20,983	13,311	368,744	(155,945)	1,229,405
Advances to officers and employees ³	4,026	-	-	-	-	-	-	4,026
Refundable deposits	158,179	-	-	-	-	-	-	158,179
Contract assets	841,625	-	-	-	-	-	(47,847)	793,778
Total	₱4,321,002	₱466,091	₱248,679	₱150,473	₱259,402	₱710,229	(₱738,677)	₱5,417,199

⁽¹⁾Excluding nonfinancial asset amounting to P74.0 million.

⁽²⁾Including long-term receivables amounting to P396.5 million (see Note 14).

⁽³⁾Excluding advances amounting to P33.8 million subject to liquidation.

December 31, 2019	Current	Past Due					Expected Credit Loss	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
(In Thousands)								
Financial assets:								
Cash in banks	₱821,951	₱-	₱-	₱-	₱-	₱-	₱-	₱821,951
Cash equivalents	25,121	-	-	-	-	-	-	25,121
Trade receivables ¹	1,212,539	899,115	183,566	90,399	80,961	1,197,720	(691,962)	2,972,338
Nontrade receivables ²	752,449	378,690	178,264	62,179	68,652	416,598	(362,571)	1,494,261
Advances to officers and employees ³	5,343	-	-	-	-	-	-	5,343
Refundable deposits	151,660	-	-	-	-	-	-	151,660
Contract assets	421,545	-	-	-	-	-	(82,314)	339,231
Total	₱3,390,608	₱1,277,805	₱361,830	₱152,578	₱149,613	₱1,614,318	(₱1,136,847)	₱5,809,905

⁽¹⁾Excluding nonfinancial asset amounting to P31.0 million.

⁽²⁾Including long-term receivables amounting to P518.4 million (see Note 14).

⁽³⁾Excluding advances amounting to P15.8 million subject to liquidation.

Liquidity Risk

The Group manages its liquidity profile to be able to finance its capital expenditures and service its maturing debt by maintaining sufficient cash during the peak season of the passage business. The Group regularly evaluates its projected and actual cash flows generated from operations.

The Group's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Group.

The liability of the Surety is primary and solidary and is not contingent upon the pursuit by the bank of whatever remedies it may have against the debtor or collaterals/liens it may possess. If any of the secured obligations is not paid or performed on due date (at stated maturity or by acceleration), the Surety shall, without need for any notice, demand or any other account or deed, immediately be liable therefore and the Surety shall pay and perform the same.



The following table summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual repayment obligations and the Group's cash to be generated from operations and the Group's financial assets:

	December 31, 2020			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	(In Thousands)			
Financial Liabilities				
Trade and other payables ¹	₱5,134,825	₱—	₱—	₱5,134,825
Short-term notes payable	2,163,500	—	—	2,163,500
Long-term debt ²	—	3,500,000	—	3,500,000
Obligations under lease ³	419,725	518,629	193,140	1,131,494
	₱7,718,050	₱4,018,629	₱193,140	₱11,929,819
Financial and contract assets				
Cash and cash equivalents	₱890,127	₱—	₱—	₱890,127
Trade and other receivables ⁴	3,888,573	—	—	3,888,573
Refundable deposits	73,155	85,024	—	158,179
Receivable from a related party ⁵	167,919	439,172	—	607,091
	₱5,019,774	₱524,196	₱—	₱5,543,970

	December 31, 2019			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	(In Thousands)			
Financial Liabilities				
Trade and other payables ¹	₱5,165,630	₱—	₱—	₱5,165,630
Short-term notes payable	2,678,500	—	—	2,678,500
Long-term debt ²	1,500	2,487,153	—	2,488,653
Obligations under lease ³	531,724	925,142	387,521	1,844,387
	₱8,377,354	₱3,412,295	₱387,521	₱12,177,170
Financial and contract assets				
Cash and cash equivalents	₱892,540	₱—	₱—	₱892,540
Trade and other receivables ⁴	3,945,263	—	—	3,945,263
Refundable deposits	66,968	84,692	—	151,660
Receivable from a related party ⁵	155,001	594,174	—	749,175
	₱5,059,772	₱678,866	₱—	₱5,738,638

¹Excludes nonfinancial liabilities amounting to ₱827.1 million and ₱576.9 million as of December 31, 2020 and 2019, respectively.

²Gross of unamortized debt arrangement fees amounting to ₱14.9 million and ₱12.8 million as of December 31, 2020 and 2019, respectively.

³Gross of interest component amounting to ₱146.4 million and ₱258.6 million as of December 31, 2020 and 2019, respectively.

⁴Excludes nonfinancial assets amounting to ₱107.8 million and ₱46.8 million as of December 31, 2020 and 2019, respectively, and current portion of receivable from a related party in 2020 and 2019.

⁵Gross of interest component amounting to ₱79.0 million and ₱117.3 million as of December 31, 2020 and 2019, respectively.

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

Foreign Exchange Risk

Foreign currency risk arises when the Group enters into transactions denominated in currencies other than their functional currency. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. To mitigate the risk of incurring foreign exchange losses, the Group maintains cash in banks in foreign currency to match its financial liabilities.



The Group's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2020 and 2019 are as follows:

		December 31, 2020		December 31, 2019	
	Currency	Amount in Original Currency	Total Peso Equivalent	Amount in Original Currency	Total Peso Equivalent
Financial Assets					
Cash in banks	USD	623	₱29,916	753	₱38,233
Trade receivables	USD	254	12,197	223	11,310
Advances to supplier	USD	—	—	147	7,445
			42,133		56,988
Financial Liabilities					
Trade and other payables	USD	679	32,606	2,178	110,522
	JPY	73,399	32,919	—	—
Obligation under lease	USD	175	8,404	651	33,043
			73,929	2,829	143,565
Net foreign currency denominated assets (liabilities)	USD	23	₱1,103	(1,706)	(₱86,577)
	JPY	(73,399)	(₱73,399)	—	₱—

USD 1 = ₱48.02 in 2020 and ₱50.64 in 2019
JPY 1 = ₱0.45 in 2020

The Group recognized foreign exchange gain (loss) amounting to (₱1.5 million), ₱1.4 million, and ₱33.6 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 24).

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax for years ended December 31, 2020, 2019 and 2018.

	Appreciation (Depreciation) of Foreign Currency	Effect on Income Before Tax		
		December 31		
		2020	2019	2018
		<i>(In Thousands)</i>		
US Dollar (USD)	1%	₱11	₱865	₱1,252
	(1%)	(11)	(865)	(1,252)
Japanese Yen (JPY)	1%	(329)	—	—
	(1%)	329	—	—

There is no other impact on the Group's equity other than those already affecting profit or loss.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 3.85% to 6.23% and 4.25% to 6.75% in 2020 and 2019, respectively.

Cashflow hedge

The Group is exposed to the increased volatility of fuel prices (commodity price risk). As a result, the Group entered into a commodity swap agreement with a certain bank, in order to manage the risk on fuel price volatility. Hedging the price volatility of forecast fuel purchases is in line with the management strategy implemented by the Board of Directors. The Group designated the commodity



swap agreement as cashflow hedge. The Group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of commodity swap agreement is identical to the hedged risk component.

The Group is holding the commodity swap agreement as follows:

Maturity	2020		2019	
	Notional amount (In metric tons)	Asset (In Thousands)	Notional amount (In metric tons)	Asset (In Thousands)
Less than one month	—	\$5	1,076	\$8
One to three months	—	—	3,228	22
Three to six months	—	—	3,228	28
Total	—	\$5	7,532	\$58

The impact of the hedging instrument on the consolidated statements of financial position is as follows:

	2020	2019
Notional amount (in metric tons)	—	7,532
Carrying amount (in thousands)	₱226	₱2,564
Change in fair value used for measuring ineffectiveness for the period	—	—

The effect of the cash flow hedge in the consolidated statements of comprehensive income under “Fuel, oil and lubricants” is as follows:

	2020 (In Thousands)	2019
Total realized loss recognized in profit or loss	₱57,148	₱963
Total unrealized gain recognized in OCI	—	2,038

Capital Risk Management Objectives and Procedures

The Group’s capital management objectives are to ensure the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group’s overall strategy in managing its capital remains unchanged since the prior year.

The Group considers its total equity as its capital. The Group monitors capital on the basis of the carrying amount of equity as presented on the consolidated statement of financial position. The capital ratios are as follows:

	December 31	
	2020	2019
Assets financed by:		
Creditors	89%	78%
Stockholders	11%	22%

As of December 31, 2020 and 2019, the Group met its capital management objectives.



30. Fair Values of Financial Instruments and Nonfinancial Assets

The table below shows the carrying amounts and fair values of financial assets and liabilities. The fair values have been determined based on Level 3 fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In Thousands)</i>			
Financial Liabilities				
Long-term debts	₱3,485,080	₱3,609,100	₱2,488,653	₱2,688,999
Obligations under lease	985,063	1,012,458	1,585,758	1,658,376
	₱4,470,143	₱4,621,558	₱4,074,411	₱4,347,375
Nonfinancial Asset				
Investment property	₱49,790	₱74,600	₱49,790	₱74,600

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and nonfinancial asset:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Refundable Deposits

The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Short-term Notes Payable

The carrying value of short-term notes payable that reprice every three (3) months, approximates their fair value because of recent and regular repricing based on current market rate. For fixed rate loans, the carrying value approximates fair value due to its short-term maturities, ranging from three months to twelve months.

FVTOCI

The fair values of FVTOCI financial assets are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Long-term Debt

Discount rate of 4.6%, 6.2% and 7.0% was used in calculating the fair value of the long-term debt as of December 31, 2020, 2019 and 2018, respectively.

Obligations Under Lease

The fair values of obligations under lease are based on the discounted net present value of cash flows using the discount rate ranging from 4.5% to 5.4% and 3.5% to 6.0% as of December 31, 2020 and 2019, respectively.

Derivative assets

The fair value of derivatives is determined by the use of either present value methods or standard option valuation models. The valuation inputs on these derivatives are based on assumptions developed from observable information, including, but not limited to, the forward curve derived from published or future prices adjusted for factors such as seasonality considerations and the volatilities that take into account the impact of spot process and the long-term price outlook of the underlying commodity and currency.



Investment Property

The fair value of the investment property is determined using the Market Data Approach, which is a process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value.

31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2020:

	January 1, 2020	Cash Flows		Net	Others	December 31, 2020
		Availments	Payments			
Short-term notes payable	₱2,678,500	₱1,425,000	(₱1,940,000)	(₱515,000)	₱-	₱2,163,500
Current portion of long-term debt	1,500	-	(1,500)	(1,500)	-	-
Current portion of obligations under lease	449,427	-	(413,477)	(413,477)	336,719	372,669
Noncurrent portion of long-term debt	2,487,153	1,000,000	-	1,000,000	(2,073)	3,485,080
Noncurrent portion of obligations under lease	1,136,331	-	-	-	(523,937)	612,394
Total liabilities from financing activities	₱6,752,911	₱2,425,000	(₱2,354,977)	₱70,023	(₱189,291)	₱6,633,643

For the Year Ended December 31, 2019:

	January 1, 2019	Cash Flows		Net	New leases	Others	December 31, 2019
		Availments	Payments				
Short-term notes payable	₱2,685,000	₱3,921,500	(₱3,878,000)	₱43,500	₱-	(₱50,000)	₱2,678,500
Current portion of long-term debt	106,336	-	(401,556)	(401,556)	-	296,720	1,500
Current portion of obligations under finance lease	83,515	-	-	-	-	(83,515)	-
Current portion of obligations under lease	-	-	(488,900)	(488,900)	614,962	323,365	449,427
Noncurrent portion of long-term debt	3,116,177	-	-	-	-	(629,024)	2,487,153
Noncurrent portion of obligations under lease	-	-	-	-	-	1,136,331	1,136,331
Noncurrent portion of obligations under finance lease	92,317	-	-	-	-	(92,317)	-
Total liabilities from financing activities	₱6,083,345	₱3,921,500	(₱4,768,456)	(₱846,956)	₱614,962	₱901,560	₱6,752,911

“Others” includes the effect of the following:

- reclassification of non-current portion to current due to the passage of time;
- amortization of debt transaction costs capitalized amounting to ₱5.4 million and ₱3.4 million in 2020 and 2019, respectively.
- payment of debt transaction cost amounting to ₱7.5 million in 2020;
- availment of obligation under lease amounting to ₱36.9 million in 2020;
- reclassification of finance lease obligation to lease obligation amounting to ₱175.8 million and additional lease obligation recognized as at January 1, 2019 as a result of the adoption of PFRS 16 amounting to ₱1,310.2 million;
- amortization of obligation under lease amounting to ₱75.9 million in 2020 and ₱102.0 million in 2019;
- pre-termination of some obligation under lease amounting to ₱14.5 million in 2020; and
- reduction in short term and long term debt as a result of the divestment of SFFC amounting to ₱385.7 million (see Note 32b).



32. Business Combination under Common Control, Discontinued Operation, Group Restructuring and Other Operational Expenses

a. Business combination under common control

The objective of the merger discussed in Note 1 was to simplify the corporate structure of the group in a one holding company that is 2GO. The transaction has been accounted for as merger of entities under common control, using the pooling of interest method. In applying the pooling of interest method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*. Because these consolidated financial statements represent a continuation of the financial statements of NN and subsidiaries, the consolidated financial statements reflect:

- (a) the consolidated assets and liabilities of NN and subsidiaries;
- (b) the consolidated retained earnings and other comprehensive income of NN and subsidiaries;
- (c) the legal capital (capital stock and additional paid in capital) of 2GO, adjusted by the effect of the new issuance of shares of 2GO to NN's previous stockholders effective January 1, 2019;
- (d) the other equity reserves as of December 31, 2018, including the difference between the legal capital of NN and 2GO, prior to the merger; and the consolidated statement of income, comprehensive income and cash flows reflects the consolidated financial results and cash flows of the merged entities, as if the merger happened from the earliest period presented.

b. Discontinued operations

During 2019, 2GO discontinued operations of its short-haul fast ferry passenger vessels and inter-island freighter vessels as part of a plan to focus on improving core services and profitability. On October 9, 2019, 2GO sold 100% of its shares in SFFC to Chelsea Logistics and Infrastructure Holdings Corp. for ₱650.0 million. 2GO paid capital gains tax of ₱19.6 million as a result of the transaction. The amount shall be paid in sixty equal monthly installments subject to an interest rate of 6.5% per annum. The outstanding balance as of December 31, 2020 and 2019 amounted to ₱528.2 million and ₱631.9 million, respectively. Interest income earned from this receivable amounted to ₱37.7 million and ₱7.0 million in 2020 and 2019, respectively.

2GO also disposed two of its inter-island freighter vessels in the second quarter of 2019, and terminated long-term leases for three freighter vessels in the fourth quarter of 2019.

The results of the discontinued operations are as follows:

	December 31	
	2019	2018
	<i>(In Thousands)</i>	
Revenue from contracts with customers	₱1,062,507	₱1,988,860
Costs and expenses	1,573,678	2,380,021
Operating loss	(511,171)	(391,161)
Gain from sale of disposal group	37,592	-
Finance charges	(42,175)	(24,659)
Others - net	52,253	163
Loss before income tax	(463,501)	(415,657)
Provision for income tax	9,749	24,165
Net loss	(₱473,250)	(₱439,822)

*Includes interest income from discontinued operation.



The details of the carrying value of the discontinued operations at the time of sale are as follows:

	Total (In Thousands)
Cash and cash equivalents	₱40,417
Trade and other receivables	6,234
Inventories	10,395
Other current assets	36,318
Property and equipment	1,077,794
Other noncurrent assets	51,112
Total assets	1,222,270
Short-term notes payable	(50,000)
Trade and other payables	(152,623)
Long-term debt	(335,741)
Accrued retirement benefits	(5,926)
	₱677,980

The net cash flows incurred by the discontinued operations were as follows:

	Years ended December 31	
	2019	2018
	(In Thousands)	
Operating activities	(₱439,364)	(₱117,803)
Investing activities	(97,517)	(223,423)
Financing activities	29,444	(38,017)

The details of the sale of the disposal group were as follows:

	Total (In Thousands)
Net consideration	₱715,572
Carrying value of the disposal group	677,980
Gain from sale of the disposal group	₱37,592

c. Group restructuring and other operational expenses

During 2020 and 2019, 2GO also completed a series of restructuring activities which primarily included consolidating its operations in certain container yards, warehouses and offices, exiting related leases and costs as a result of such consolidation. In addition, the Group incurred various other operating expenditures related to COVID-19 pandemic disclosed in Note 33.

Restructuring costs and other operating expenses amounted to ₱230.1 million and ₱198.3 million in 2020 and 2019, respectively, and are presented as “Other operational expenses” in the consolidated statements of profit or loss.

33. Events Connected to the COVID 19 Pandemic

On March 8, 2020, the Office of the President, under Proclamation 922, declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, placed the entire Philippines under a state of calamity due to the spread of the Novel Corona Virus Disease (COVID-19 pandemic). As part of these declarations and to manage the spread of the disease, certain areas in the Philippines were placed under various categories of community quarantine since March 17, 2020 and such community quarantines are still in effect at the date of filing of 2GO’s audited financial statements as of and for the year ended December 31, 2020 with the SEC.



The Government-mandated quarantine measures continue to evolve and involve various attendant measures including, but not limited to, travel restrictions, home quarantine and temporary suspension or regulation of business operations thereby limiting commercial and similar activities related to the provision of essential goods and services.

2GO across its various business units, has been significantly affected by the aforesaid quarantine measures. This resulted in limited business operations in Luzon and in many other parts of the country for most of 2020. Given the restricted mobility in and out of the country and the curtailed economic activities affecting demand not only in the Philippines but in other countries, 2GO experienced a decline and gradual recovery in sales/revenue volumes as aforementioned quarantine measures were slowly relaxed.

For the year ended 2020, 2GO experienced a year on year reduction in sales of 19% or ₱4.0 billion. It is expected that trade receivables, particularly those due from small and medium scale enterprises, will likewise deteriorate in collectability, hence, 2GO recognized additional provision for expected credit losses amounting to ₱40.8 million during the year for estimated losses due to non-collection. Management continues to assess the situation based on the economic situation of the underlying trade customers.

Management continues to evaluate and respond to other potential adverse impacts of the COVID-19 outbreak in future reporting periods beyond 2020. 2GO has activated its Business Continuity Implementation Plan and has taken steps to manage the risk of disruption in operations. 2GO likewise continuously monitors developments in the domestic and international markets for any further slowdown in economic activities and the drastic shift in customer or market preferences that may eventually depress sales, place pressure on the deployment of certain assets, and impair the realizability of trade receivables and other similar working capital items.

As part of the 2GO's commitment to customer and employee health and safety and its regulatory compliance, 2GO has likewise implemented stringent safety and precautionary measures, including disinfecting and sanitizing facilities, implementation of work-from-home schemes for its employees, and imposing social-distancing in the work places, in order to mitigate the risk and ensure continuity of business operations during this time of pandemic. Also, as part of its corporate social responsibility, 2GO waived revenues and incurred direct expenses amounting to ₱112.5 million in favor of certain Philippine Government relief and medical efforts to address the COVID-19 pandemic.

The foregoing events are reflected in the financial position and performance of 2GO for the year ended December 31, 2020. Considering the evolving nature of the pandemic, 2GO cannot reasonably estimate at this time the length and severity of the pandemic, or the extent to which the disruption may materially impact 2GO's consolidated financial position, consolidated results of operations and consolidated cash flows in future reporting periods.

34. Subsequent Events

On January 19, 2021, 2GO entered into an agreement to purchase a ROPAX vessel from an international shipping line. The vessel is expected to be delivered in the Philippines in mid-March 2021 and begin commercial operations in April 2021. The acquisition of the ROPAX vessel is part of 2GO's reflecting and modernization plan.



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

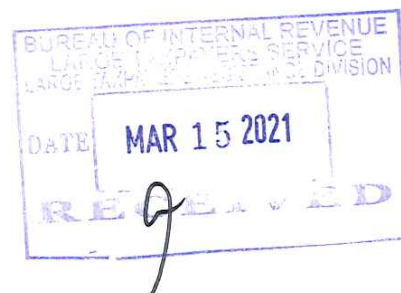
The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of 2GO Group, Inc. and Subsidiaries (the Group) as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 4, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on 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 (PFRS) 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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Albert R. Bon
Albert R. Bon
Partner
CPA Certificate No. 0121479
Accreditation No. 121479-SEC (Group A),
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 255-491-830
BIR Accreditation No. 08-001998-135-2020,
January 31, 2020, valid until January 30, 2023
PTR No. 8534227, January 4, 2021, Makati City

March 4, 2021



2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
Schedule of Financial Soundness
As of December 31, 2020
(Amounts in Thousands)

Ratio	Formula	December 31, 2020	December 31, 2019
Current ratio	Total Current Assets Divided by Total Current Liabilities	0.93	0.89
	Total Current Assets 7,932,406		
	Divided by: Total Current Liabilities 8,507,831		
	Current Ratio 0.93		
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	0.59	0.59
	Total Current Assets 7,932,406		
	Less: Inventories (673,861)		
	Other current assets (2,240,441)		
	Quick assets 5,018,104		
	Divided by: Total Current Liabilities 8,507,831		
	Acid test ratio 0.59		
Solvency ratio	Net loss before Depreciation & Amortization (Net loss from continuing operations plus depreciation and amortization) divided by Interest Bearing Debt	0.002	0.28
	Net loss from continuing operations (1,842,739)		
	Add: Depreciation & Amortization 1,856,449		
	Net income before depreciation & Amortization 13,710		
	Short Term Notes 2,163,500		
	Long Term Notes 3,485,080		
	Obligations under finance lease 31,971		
	Divided by: Interest Bearing Debt 5,680,551		
	Solvency Ratio 0.002		

Ratio	Formula	December 31, 2020	December 31, 2019
Debt-to-equity ratio	Total Liabilities divided by Total Stockholders' Equity Total Liabilities 13,092,452 Divided by: Total Stockholders' Equity 1,667,004 <hr/> Debt-to-equity ratio 7.85	7.85	3.61
Asset-to-equity ratio	Total Assets divided by Total Stockholders' Equity Total Assets 14,759,456 Divided by: Total Stockholders' Equity 1,667,004 <hr/> Asset-to-equity ratio 8.85	8.85	4.61
Interest rate coverage ratio	Earnings from continuing operations before interest & tax divided by interest expense Earnings from continuing operations before income tax (1,457,443) Divided by: Interest expense 405,829 <hr/> Interest rate coverage ratio (3.59)	(3.59)	0.18
Return on equity	Net loss from continuing operations divided by Average Total Stockholders' Equity Net loss from continuing operations (1,842,739) Divided by: Average Total Stockholders' Equity 2,610,767 <hr/> Return on equity ratio (0.71)	(0.71)	(0.10)
Return on assets	Net loss from continuing operations divided by Average Total Assets Net loss from continuing operations (1,842,739) Divided by: Average Total Assets 15,579,842 <hr/> Return on assets (0.12)	(0.12)	(0.03)
Net profit margin	Net Loss from continuing operations divided by Total Revenue Net loss from continuing operations (1,842,739) Divided by: Total Revenue 17,408,695 <hr/> Net profit margin (0.11)	(0.11)	(0.02)

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of 2GO Group, Inc. and Subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 4, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon

Partner

CPA Certificate No. 0121479

Accreditation No. 121479-SEC (Group A),

Valid to cover audit of 2019 to 2023

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January 31, 2020, valid until January 30, 2023

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March 4, 2021



2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
As of December 31, 2020

Schedule of Reconciliation of Retained Earnings Available For Dividend Declaration

Illustration of relationships between the Parent Company and its Subsidiaries

Schedule A. Financial Assets

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders

Schedule C. Amounts Receivable from Related Parties which are Eliminated during
the consolidation of financial statements

Schedule D. Intangible Assets – Other Assets

Schedule E. Long-term Debt

Schedule F. Indebtedness to Related Parties

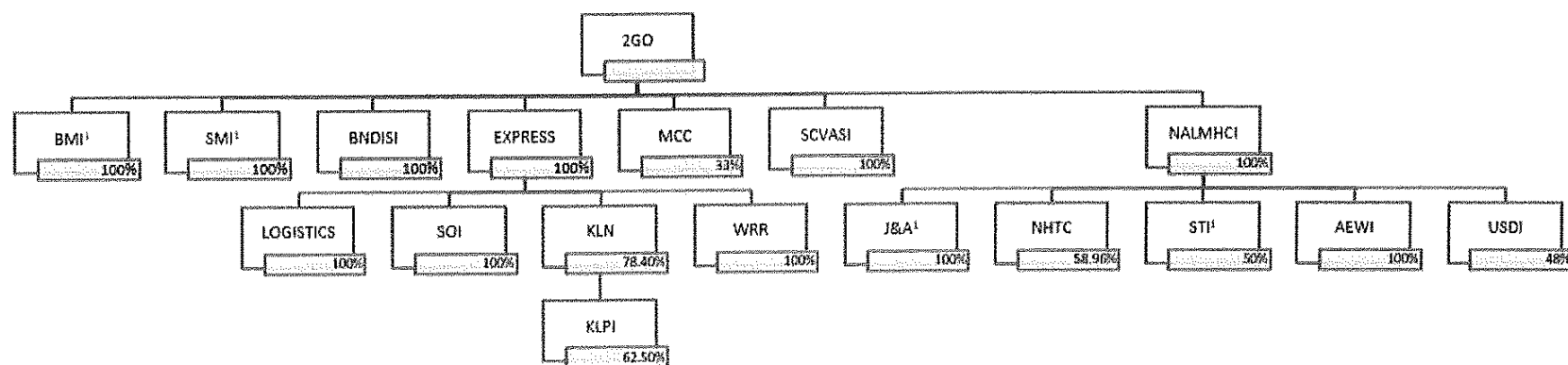
Schedule G. Guarantees of Securities of Other Issuers

Schedule H. Capital Stock

2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2020
(Amounts in Thousand Pesos)

Deficit, beginning of the year		(P791,422)
Less: Deferred income tax assets, beginning		28,501
Treasury shares		58,715
Unappropriated Deficit, <i>as adjusted to available for dividend distribution</i> , beginning		(878,638)
Add: Net loss during the period		
Net loss during the period closed to Deficit	(1,568,276)	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	14,341	
Sub-total	(1,582,617)	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net loss realized during the period	(1,582,617)	(1,582,617)
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
TOTAL DEFICIT, END OF THE YEAR AVAILABLE FOR DIVIDEND		(P2,461,255)

Corporate Structure



Legend:

BNDISI	Brisk Nautilus Dock Integrated Services, Inc.	SCVASI	Special Container and Value Added Services, Inc.	STI	Super Terminals, Inc.
2GO	2GO Group, Inc.	LOGISTICS	2GO Logistics, Inc.	AEWI	Astir Engineering Works, Inc.
SMI	Sea Merchants, Inc.	SOI	Scanasia Overseas, Inc.	USDI	United South Dockhandlers, Inc.
BMI	Bluemarine (BMI) Inc.	KLN	KLN Logistics Holdings Philippines, Inc.	¹ Corporate life ending 2020	
EXPRESS	2GO Express, Inc.	WRR	WRR Trucking Corporation		
KLPI	Kerry Logistics Philippines, Inc.	J&A	J&A Services Corporation		
MCC	MCCP Transport Philippines, Inc.	NHTC	North Harbor Tugs Corporation		
NALMHCI	NN-ATS Logistics Management & Holdings Co., Inc.				

2GO GROUP, INC. AND SUBSIDIARIES**Schedule A - Financial Assets****December 31, 2020***(Amounts in thousands)*

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in balance	Income received and accrued
---	--	--------------------------------	------------------------------------

At equity:

Hansa-Meyer ATS Projects, Inc.	32,076	—	—
Mober Technology PTE Inc	25,001	25,734	(9,123)
MCC Transport Philippines, Inc.	119,504	152,624	(17,248)
Kerry Logistics Philippines Inc.	7,839,998	53,066	(17,164)

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.

(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

(iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

2GO GROUP, INC. AND SUBSIDIARIES**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal
Stockholders (Other than Related Parties)****December 31, 2020**

Name & Designation of Debtor	Balance at December 31, 2019	Additions	Amounts collected/liquidated	Amounts written off	Current	Noncurrent	Balance at December 31, 2020
Advances to officers and employees	₱21,175	₱113,941	(₱97,306)	₱-	₱37,810	₱-	₱37,810
Chelsea Logistics and Infrastructure Holdings Corp.	631,868	-	(103,736)	-	131,651	396,481	528,132
	₱653,043	₱113,941	(₱201,042)	₱-	₱169,461	₱396,481	₱565,942

2GO GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statement
December 31, 2020

Name and Designation of Debtor	Balance at Beginning of Year (in thousands)	Additions (in thousands)	Deductions		Current (in thousands)	Noncurrent (in thousands)	Balance at End of Year (in thousands)
			Amounts Collected (in thousands)	Amounts Written-off (in thousands)			
Sea Merchants Inc.	₱3,039	₱—	₱—	(₱3,039)	₱—	₱—	₱—
Blue Marine Inc.	49	—	—	(49)	—	—	—
2GO Group, Inc.	169,337	—	(60,733)	—	108,604	—	108,604
2GO Express, Inc.	271,126	48,256	—	—	319,382	—	319,382
2GO Logistics, Inc.	1,230,275	236,036	—	—	1,466,311	—	1,466,311
Astir Engineering Works, Inc.	1,712	—	(186)	—	1,526	—	1,526
Super Terminal, Inc.	14	—	—	(14)	—	—	—
J&A Services Corporation	1	—	—	(1)	—	—	—
WRR Trucking Corporation	138,125	262	—	—	138,387	—	138,387
North Harbor Tugs Corporation	90	505	—	—	595	—	595
Special Container and Value-Added Services, Inc.	191,154	—	(4,612)	—	186,542	—	186,542
Scanasia Overseas, Inc.	1,274,595	—	(626)	—	1,273,969	—	1,273,969
NN-ATS Logistics Management and Holdings Co., Inc.	99,580	11,850	—	—	111,430	—	111,430
Brisk Nautilus Dock Integrated Services, Inc.	32,738	—	(7,281)	—	25,457	—	25,457
Hapag-Lloyd Phils., Inc.	38,289	—	—	(38,289)	—	—	—
United South Dockhandlers, Inc.	36	1,433	—	—	1,469	—	1,469
	₱3,450,160	₱298,342	(₱73,438)	(₱41,392)	₱3,633,672	₱—	₱3,633,672

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
December 31, 2020
(Amounts in thousands)

Description	Balance at December 31, 2019	Additions	Adjustment	Charged to expense	Balance at December 31, 2020
Part A					
A. Goodwill	P686,896	P-	P-	P-	P686,896
B. Software - net	120,443	70,972	-	18,666	172,749
	P807,339	P70,972	P-	P18,666	P859,645

Part B

Other assets Not applicable – Other assets accounts do not exceed 5% of Total Assets

2GO GROUP, INC. AND SUBSIDIARIES**Schedule E - Long-term debt****December 31, 2020**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption "Current portion of long-term debt" in Related Balance Sheet (in thousands)	Amount Shown Under Caption "Long-term debt" in Related Balance Sheet (in thousands)
BDO - Philippine Peso-denominated term loan	₱3,485,080	-	₱3,485,080

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Indebtedness to Related Parties
December 31, 2020

Name of Affiliates	Beginning Balance (in thousands)	Ending Balance (in thousands)
2GO Group Inc.	₱3,036,798	₱3,157,655
2GO Express Inc.	129,356	133,287
2GO Logistics, Inc.	68,570	115,627
Super Terminal, Inc.	80	-
Astir Engineering Works, Inc.	7,622	7,622
North Harbor Tugs Corporation	3,282	6,272
Special Container and Value Added Services, Inc.	52,995	50,089
Scanasia Overseas, Inc.	31,906	59,744
NN-ATS Logistics Management and Holdings Co., Inc.	48,294	48,294
United South Dockhandlers, Inc.	10,607	7,428
WRR Trucking Corporation	15,575	9,040

2GO GROUP, INC. AND SUBSIDIARIES
Schedule G – Guarantees of Securities of Other Issuers
December 31, 2020

Name of issuing entity of securities guaranteed by the Company for which statement is filed	Title of Issue of each class of securities guaranteed	Total amount of guaranteed outstanding	Amount owned by person or which statement is filed	Nature of Guarantee
NIL	NIL	NIL	NIL	NIL

(i) Indicate in a note any significant changes since the date of the last balance sheet filed. If this schedule is filed in support of consolidated financial statements, there shall be set forth guarantees by any person included in the consolidation except such guarantees of securities which are included in the consolidated balance sheet.

(ii) There must be a brief statement of the nature of the guarantee, such as Guarantee of principal and interest, "Guarantee of Interest", or Guarantee of dividends. If the guarantee is of interest, dividends, or both, state the annual aggregate amount of interest or dividends so guaranteed.

- not applicable in the previous year -

2GO GROUP, INC. AND SUBSIDIARIES**Schedule H - Capital Stock****December 31, 2020**

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	4,070,343,670	2,462,146,316	—	2,168,552,309	11,800	293,582,207
Preferred shares	4,565,330	—	—	—	—	—

2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
KEY PERFORMANCE INDICATORS
AS OF DECEMBER 31, 2020 AND DECEMBER 31, 2019
(Amounts in Thousands)

	December 31, 2020	December 31, 2019
Total Liabilities	₱13,092,452	₱12,845,698
Total Stockholders' Equity	1,667,004	3,554,529
Debt-to-Equity	7.85	3.61
Total Current Assets	₱7,932,406	₱7,864,109
Total Current Liabilities	8,507,831	8,883,408
Current Ratio	0.93	0.89
Total Quick Assets	₱5,691,965	₱5,809,914
Total Current Liabilities	8,507,831	8,883,408
Quick Ratio	0.67	0.65
Net Loss After Tax from Continuing operations	(₱1,842,739)	(₱418,964)
Depreciation & Amortization	1,856,449	1,899,752
Net Income before Dep'n & Amortization	13,710	1,480,788
Interest-bearing debts	5,680,551	5,686,690
Solvency Ratio	0.002	0.26
Total Liabilities	₱13,092,452	₱12,845,698
Total Assets	14,759,456	16,400,227
Debt-to-Asset Ratio	0.89	0.78
Total Assets	₱14,759,456	₱16,400,227
Total Stockholders' Equity	1,667,004	3,554,529
Equity-to-Asset Ratio	0.11	0.22
Net Loss	(₱1,842,739)	(₱418,964)
Average Total Assets	15,579,842	16,617,458
Return on Assets	(0.12)	(0.03)
Net Loss from Continuing operations	(₱1,842,739)	(₱418,964)
Average Total Stockholders' Equity	2,610,767	4,045,622
Return on Equity	(0.71)	(0.10)

	December 31, 2020	December 31, 2019
Sales	₱17,408,695	₱21,409,914
Cost of Services and Goods Sold	16,856,886	19,655,050
Gross Profit	551,809	1,754,864
Gross Profit Margin	0.03	0.08
Net Loss	(₱1,842,739)	(₱418,964)
Sales	17,408,695	21,409,914
Net Loss Margin	(0.11)	(0.02)
Price Per Share	₱8.30	₱10.50
Loss per Common Share	(0.75)	(0.36)
Price per Loss Ratio	(₱11.07)	(₱29.17)
EBIT	(₱1,457,443)	₱75,200
Interest Expense	405,829	421,326
Interest Coverage Ratio	(3.59)	0.18

Note: The group has discontinued operations during 2019. All profit/loss accounts (comparative figures) pertain to results from continuing operations for the years ended December 31, 2020 and 2019.