COVER SHEET
for
SEC FORM 20-IS

SEC Registration Number

								4	4	0	9

Company Name

2GO GROUP, INC.

Principal Office (No./Street/Barangay/City/Town/Province)

8TH FLOOR TOWER 1 DOUBLE
DRAGON PLAZA MACAPAGAL BLVD.
CORNER EDSA EXTENSION, PASAY
CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(02) 8528-7171	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		December 31

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Elmer B. Serrano	**elmer.serrano@serranolawph.com**	**+632-8479-2190**	

Contact Person's Address

1105, Tower 2 High Street South Corporate Plaza, 26th Street,
Bonifacio Global City, Taguig City, Philippines

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

   [**X**] 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 18, 2023, 2:00 p.m., (via Remote Communication)**
   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 21, 2023

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:

    The Philippine Stock Exchange, Inc. - Common Stock

2GO GROUP, INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To all Stockholders:

The annual meeting of the stockholders of **2GO GROUP, INC.** (**2GO**) will be held on **April 18, 2023, Tuesday at 2:00P.M.** Given the current circumstances, the meeting will be conducted virtually and voting conducted *in absentia* through 2GO'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 May 26, 2022
4. Approval of Annual Report for 2022
5. Approval and Ratification of the Acts of the Board of Directors and Management
6. Election of Directors for 2023-2024
7. Appointment of External Auditor
8. Approval of Merger of 2GO and Special Container and Value Added Services, Inc. with 2GO as Surviving Entity
9. Approval of Voluntary Delisting from the Main Board of The Philippine Stock Exchange, Inc. (**PSE**)
10. Other Matters
11. Adjournment

Scan the QR Code to Access the Definitive Information Statement and other ASM materials

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 PSE on **March 19, 2023** 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 annual 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 11, 2023**. All information submitted shall be verified and validated by the Corporate Secretary.

Stockholders who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit the duly accomplished and signed proxy forms on or before **April 11, 2023** to the Office of the Corporate Secretary at the 1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City, Philippines.

Stockholders who successfully registered can cast their votes *in absentia* through 2GO'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**, electronic copies of the Information Statement with Management Report, SEC Form 17-A (once available), and other pertinent documents related to 2GO's 2023 ASM will be posted in 2GO's website www.2go.com.ph/asm and PSE EDGE.

Bonifacio Global City, Taguig City, 17 March 2023.

ELMER B. SERRANO
Corporate Secretary

Annex A
Rationale for Agenda Items

Agenda Item 3: Approval of Minutes of Annual Stockholders' Meeting held on May 26, 2022

The draft minutes of the annual stockholders' meeting held on May 26, 2022 were posted on 2GO'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 2022 annual stockholders' meeting were likewise timely disclosed to the Securities and Exchange Commission and the PSE.

Agenda Item 4: Approval of Annual Report for 2022

2GO's 2022 performance results have been duly summarized in the Annual Report, which includes the Audited Financial Statements (**AFS**) for the year ended 31 December 2022. 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 2GO. Any stockholder who would like to receive a hard or soft copy of the 2022 Annual Report may do so through the Investor Relations Office. The 2022 Annual Report is also posted on 2GO'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 May 26, 2022 to the date of this year's annual meeting will be subject to stockholders' approval and ratification.

Agenda Item 6: Election of Directors for 2023-2024

Nominees for election as members of the Board of Directors for 2023-2024, 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 2GO'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 2023-2024 will be elected during this year's annual 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 2023. SGV is one of the top auditing firms in the country.

Agenda Item 8: Approval of Merger of 2GO and Special Container and Value Added Services, Inc. (SCVASI), with 2GO as Surviving Entity

The proposed merger of 2GO and its wholly-owned subsidiary SCVASI, with 2GO as surviving entity approved by the Board of Directors on February 22, 2023 will be presented to the stockholders for approval during this year's annual meeting. The merger is proposed to achieve tax efficiency and savings.

Agenda Item 9: Approval of Voluntary Delisting from the Main Board of the PSE

The proposed delisting of 2GO from the Main Board of the PSE approved by the Board of Directors on February 28, 2023 will be presented to the stockholders for approval during this year's stockholders' meeting.

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 18, 2023 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 May 26, 2022

   ___ Yes ___ No ___ Abstain

2. Approval of 2022 Annual Report

   ___ Yes ___ No ___ Abstain

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

   ___ Yes ___ No ___ Abstain

4. Election of Directors for 2023-2024

   ____ a) Vote for all nominees listed below:

   (1) Frederic C. DyBuncio
   (2) Francis C. Chua
   (3) Elmer B. Serrano
   (4) Sing Mein Ang
   (5) Kiat Chan
   (6) Stephen Ly
   (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:

5. Appointment of SyCip Gorres Velayo & Co. as External Auditor for 2023

   ___ Yes ___ No ___ Abstain

6. Approval of Merger of 2GO and Special Container and Value Added Services, Inc., with 2GO as Surviving Entity

   ___ Yes ___ No ___ Abstain

7. Approval of Voluntary Delisting of 2GO Group, Inc. from the Main Board of The Philippine Stock Exchange, Inc.

   ___ Yes ___ No ___ Abstain

8. 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

____
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 11, 2023**, IN ACCORDANCE WITH THE BY-LAWS OF 2GO.

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 18, 2023
Time of meeting	:	2:00 p.m.
Place of meeting	:	Given the current circumstances, the meeting will be conducted virtually from 2GO's offices located in the 8th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City.
Approximate date of mailing of this Statement	:	March 21, 2023
Registrant's Mailing Address	:	8th 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 19, 2023 (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 accordance with Section 49 of the Revised Corporation Code, 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/asm**. The Company will record the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its regular meeting held on February 22, 2023, 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 11, 2023 (Tuesday)**, 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.

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
(c) In case of merger or consolidation; and,
(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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.

2GO's merger with SCVASI for approval during the annual stockholder's meeting afford dissenting stockholders the right of appraisal, defined to be the right of any stockholder to dissent to the corporate action and demand payment of the fair value of his/her/its shares.

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) 2GO has 2,462,146,316 outstanding common shares (net of treasury shares) as of February 28, 2023, with foreign ownership equivalent to 742,042,636 common shares or 30.14% of 2GO's outstanding capital stock. 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 19, 2023**.

(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, 2023:

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	**SM Investments Corporation** 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1, Pasay City	- Same -	Filipino	1,302,170,972	52.88%
Common	**Trident Investments Holdings Pte.** 138 Robinson Road, #12-01 Oxley Tower, Singapore	- Same -	Singaporean	781,122,265	31.72%

The persons authorized to vote the shares of SM Investments Corporation is Mr. Frederic C. DyBuncio, while the President of Trident Investments Pte. is authorized to vote the shares of said corporation.

Security Ownership of Management – Record and Beneficial Owners as of February 28, 2023:

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	**Frederic C. DyBuncio** Chairman / President / Chief Executive Officer	Filipino	**100 (D)**	Voting	0.00%
Common	**Francis C. Chua** Vice-Chairman	Filipino	**1,000 (D)** **9,000 (I)**	Voting	0.00%
Common	**Elmer B. Serrano** Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Kiat Chan** Director	Singaporean	**100 (I)**	Voting	0.00%
Common	**Sing Mein Ang** Director	Singaporean	**100 (I)**	Voting	0.00%
Common	**Stephen Ly** Director	Australian	**100 (I)**	Voting	0.00%
Common	**Laurito E. Serrano** Independent Director	Filipino	**100 (D)**	Voting	0.00%
Common	**Paquito N. Ochoa, Jr.** Independent Director	Filipino	**100 (I)**	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 35,800 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 June 3, 2021, SM Investments Corporation (**SMIC**) completed its acquisition from KGLI-NM Holdings, Inc. (KGLI-NM) of 550,558,388 common shares representing 22.36% of the 2GO Group, Inc. (2GO) via a special block sale through the facilities of the Philippine Stock Exchange (**PSE**), resulting in the increase of SMIC's current shareholding from around 30.53% to approximately 52.85% of 2GO. Following this transaction, 2GO is now a subsidiary of SMIC. The transaction was completed on the same date of the disclosure. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

On the same date, Trident Investments Holdings Pte. Ltd. (**Trident**) purchased 230,563,877 common shares in 2GO from KGLI-NM and 550,558,388 common shares from China-ASEAN Marine B.V., or a total of 781,122,265 common shares representing approximately 31.73% of 2GO. The sale transactions were transacted via special block sales through the Philippine Stock Exchange, Inc. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

Trident is an entity directly controlled and majority owned by Archipelago Asia Focus Fund II Pte Ltd, a company incorporated under the laws of the Republic of Singapore and is indirectly controlled by Archipelago Capital Partners Pte. Ltd. (Archipelago). Archipelago is a Singapore-based private equity firm that is licensed by the Monetary Authority of Singapore and invests across Southeast Asia.

SMIC Tender Offer

On February 28, 2023, the Board of Directors of SMIC approved its conduct of a tender offer for up to 378,817,279 common shares constituting 15.39% of the issued and outstanding common capital stock of 2GO, subject to an independent third party fairness opinion. On the same date, the 2GO Board approved the voluntary delisting of 2GO shares from the Main Board of PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission.

On 10 March 2023, 2GO received the Tender Offer Report from SMIC containing the following details of the tender offer:

a. Tender Offer Shares - up to 378,817,279 2GO common shares;
b. Tender Offer Price – Php14.64 per common share;
c. Tender Offer period – March 15 to April 28, 2023; and
d. Payment and Settlement Date – May 10, 2023.

Item 5. **Directors and Executive Officers**

<u>DIRECTORS</u>

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

Mr. Frederic C. DyBuncio,* 64, 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 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 the Asian Institute of Management.
**Mr. DyBuncio was appointed as Chairman of the Board effective June 3, 2021*

Dr. Francis C. Chua, 74, Filipino, s the Vice Chairman of the Board of Directors and an Independent Director 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, Chairman of the Bank of Commerce, Chairman of Columbus Capitana, Board Adviser of Basic Energy, Board of Director of DITO CME Holdings Corp. / DITO Telecommunity Corporation, 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 & President of Philippine Satellite Corp., Chairman & President of CLMC Group of Companies, Founding Chairman of 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 of International Chamber of Commerce Philippines, Chairman at Green Army Philippines Network Foundation, Inc,. Board of Director at Hua Qiao 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, Previous Board of Trustees at Adamson University, President Emeritus and Board of Director of the Philippine Institute of Quezon City, Exemplary Alumni of Xavier School, Outstanding Manileños 2018.

Atty. Elmer B. Serrano, 55, Filipino, is a Director and Corporate Secretary of 2GO. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner and founder of the law firm SERRANO LAW.

Mr. Serrano has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR.

The Legal 500 Asia Pacific also named Mr. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Mr. Serrano is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.) and is a director of 2GO Group, Inc. He is also an Independent Director of Philippine Telegraph and Telephone Corporation.

Mr. Serrano is the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines, the Philippine Payments Management, Inc. and the PDS Group of Companies.

Mr. Serrano is a Certified Associate Treasury Professional 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 de Manila University and a BS Legal Management degree from the same university.

Atty. Jesus G. Dureza, 75, 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 back as publisher of the Mindanao Times. Now, he continues in the private sector his strong advocacy for peace and good governance. On May 2022, he officially released and launched the book "Walked With The Presidents" – an autobiography, a magnum opus – his lifetime's work serving the government up close with six Philippine presidents for the last 32 years.

Atty. Paquito N. Ochoa, Jr., 62, Filipino, founded PNO Management and Legal Consulting in September 2016 after completing his term as a government official. He is currently the President of Manuel L. Quezon University (MLQU) from October 2020.

He is a founding member and partner (on leave) of Marcos Ochoa Serapio Tan Law Firm from 2006 to 2010 and a partner in De Mesa & Ochoa Law Offices from 1995 to 2001.

Atty. Ochoa served as Executive Secretary (Office of the President, Republic of the Philippines) from July 2010 to June 2016. During this period, he also chaired various national government committees among which were, the National Organizing Committee of the 2015 Asia-Pacific Economic Cooperation (APEC), and National Organizing Committee on the Visit of His Holiness Pope Francis in January 2015. He is the longest serving Executive Secretary to date and the only individual to serve the full term of a President.

He also served as City Administrator of the Quezon City Local Government from January 2003 to June 2010 during which period, he introduced prudent spending practices which together with improved revenue collection, allowed the City Government to balance its budget and achieve unprecedented increase in income.

During his stint as Executive Secretary, he was conferred by President Benigno S. Aquino III the Order of Sikatuna with the rank of Datu (Grand Cross, Gold Distinction) in December 2015. He was also conferred Doctor of Laws, Honoris Causa by the Palawan State University, Puerto Princesa City, Palawan.

After his career in public administration (from 2016 to present), Atty. Ochoa focused on leading a team that provides advisory services in two major areas: 1) financial advisory services which include conduct of customary financial due diligence; analysis of business operations, financial condition, and prospects; evaluation of debt capacity and capital structure alternatives; financial restructuring; pre acquisition and post-acquisition evaluation; negotiations leading to Transactions (BOT or JV); and 2) legal and regulatory compliance which include legal due diligence; preparation of contracts and other documents covering Transactions, including negotiations; and compliance with government rules and regulations.

Atty. Ochoa holds a Bachelor of Laws degree from the Ateneo De Manila University (class of 1985). He completed his Bachelor of Arts degree in Economics from the University of Santo Tomas in 1981.

Mr. Laurito E. Serrano, 62, 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**), Anglo Philippine Holdings Inc. (**APO**), 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.

Sing Mein Ang, 69, Singaporean, is a member of the Board of 2GO. He is a logistics and freight forwarding veteran with more than 35 years of experience in shipping, ocean freight forwarding, airfreight forwarding and logistics management in leading global logistics players.

From 2015 to 2017, Sam was the Group Chief Executive Officer of Quantium Solutions International as well as Famous Holdings, the freight forwarding business of Singapore Post. He was also in charge of SP Parcel (a Singapore based express company) and Couriers Please (an Australian based express company). These businesses combined generated more than $500 million in revenue with a staff strength of more than 2,000 across 14 countries in Southeast Asia, Oceania and Europe. Concurrently, Sam was also an Executive Vice President of Singapore Post Limited and was part of its key Senior Leadership team in its transformation journey to become a leading E-Commerce Logistics player.

From 2006 to 2015, Sam was the Chief Executive Officer of DHL Global Forwarding for Southeast Asia and was a member of the DHL Global Forwarding Asia Pacific Management Board. He was responsible for its operations across Southeast Asia, with annual revenue exceeding $1 billion and a staff strength of more than 2,500. He was also Head of the Oil and Gas sector of DHL Global Forwarding for Asia Pacific and Africa. Under his leadership, DHL Global Forwarding Singapore was awarded the Best Performance Country in Southeast Asia in 2004 and the Asia Pacific Country of the Year award in 2005.

Sam holds a Business Administration Degree from the National University of Singapore and is a graduate of INSEAD's Senior Management programme in Fontainebleau, France.

Kiat Chan, 51, Singaporean, is a member of the Board of 2GO Group, Inc.. He is also a Partner and Managing Director of Archipelago Capital Partners, a private equity fund manager investing in Southeast Asia. He had previously served as the Executive Vice President for Investments at Singapore Post Limited, where he led multiple transactions across Asia-Pacific that helped transform the company into a major E-Commerce Logistics player. Prior to that, he had been a consultant at McKinsey & Company, where he advised on strategy, M&A and corporate finance, working with clients across Asia-Pacific in diverse sectors including consumer, energy, transport and logistics. He graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) and holds a Master of Business Administration from INSEAD.

Stephen Ly, 50, Australian, is a member of the Board of 2GO. Stephen is an accomplished business leader with over 25 years working experience in Asia Pacific. He has worked for some of the most iconic global brand managing operations and logistics functions and has spent over a decade working for different business divisions of Deutsche Post DHL. Having experienced life on different side of the logistics relationship, he is in a unique position to have an adept understand of the industry.

During his 16 years tenure with DHL, Stephen held position of Managing Director of DHL Global Forwarding Singapore, Managing Director and Chairman of the board of DHL Global Forwarding Philippines, Head of Customs Brokerage Services for Asia Pacific, and Customs & Regulatory Affairs manager for the Oceania region.

He was the secretary of the leading express industry association, the conference of Asia Pacific Express Carriers Australia between 2003-2006.

Prior to joining DHL, Stephen held various operational and management roles in Australia in both manufacturing sectors and technological firms.

Stephen is serving as the Vice President of South East Asia, C. H. Robinson, leading the company business interests across the region.

Stephen is a graduate of Australian Graduate School of Management with a Masters of Business Administration. Moreover, he holds a Master of Science in Network System, a Bachelor of Business in International Trade majoring in Economics and Marketing and is a Licensed Customs Broker.

Below is the attendance of the Directors for the meetings held as of December 31, 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Frederic C. Dybuncio	7	7	100%
Francis C. Chua	7	7	100%
Elmer B. Serrano	7	7	100%
Jesus G. Dureza	7	7	100%
Paquito N. Ochoa Jr.	7	7	100%
Laurito E. Serrano	7	7	100%
Sing Mein Ang	7	7	100%
Kiat Chan	7	7	100%
Stephen Ly	7	7	100%

In accordance with 2GO's By-Laws, nominations to the Board shall be submitted in writing to the Corporate Governance Committee, Board, or Corporate Secretary at least thirty (30) days before the Annual Stockholders' Meeting. This is to ensure that the Corporate Governance Committee has ample time to review and ensure that the candidates to the Board meet all the qualifications and none of the disqualifications to be a director. The Corporate Governance Committee shortlists the final candidates to the Board from the pool of candidates nominate by the shareholders. Based on the final list of candidates, directors are elected by shareholders individually.

The nomination and election process are disclosed in the Manual on Corporate Governance. Voting procedures and rights, and pertinent data on directors are included in the information statement released to shareholders before the start of the nomination period. The entire process of nomination, shortlisting, and subsequent election of directors, enables 2GO to properly identify the quality of directors that are aligned with the strategic direction of 2GO.

The Board conducts an annual assessment of its performance as a whole, its Board Committees, the individual directors, the Chairman of the Board, and the CEO/President. The evaluation is done through the Corporate

Governance Committee. The evaluation criteria are based on the duties and responsibilities of the Board, the Board Committees, individual directors, Chairman and President as provided for by the 2GO's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Moreover, per the Corporate Governance Committee Charter, the Board's annual self-assessment should be supported by an external facilitator at least once every three (3) years.

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.

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.

Mr. Gener C. Lim is a Senior Vice President of 2GO and President and founder of Special Container and Value Added Services, Inc. (SCVASI), a subsidiary of 2GO. He has been in the company for 36 years with full integrated logistics experience and pioneered 2GO's predecessor, Aboitiz International Forwarders Inc. After graduating accelerated from Air Transport Engineering and passing the CAB Air Traffic Controller Examination, he went to all the cargo IATA courses offered by Philippine Airlines Academy Learning Center. He was also previously appointed as a committee member to author and develop processes in the Philippine Economic Zone Authority. Mr. Lim was also responsible for various JV partnership and international agency agreement as a chairman of International Agency Network Committee under the Aboitiz group. He also served as a Country Manager for Jardines, Baltrans and JV execution of Kerry Logistics. He was one of the first candidates and graduates of the Aboitiz MBA program. He was also appointed to chair the Intellectual Human Capital Committee of the international group which created logistics academy partnership. Mr. Lim also established Abotrans Corporation, the first brokerage business under ATSC. He was also appointed as Philippine Ambassador of ASEAN Isotank Association. In late 2019, he created Project Logistics for 2GO.

Ms. Anna Estella Gurango Vicencio is the Head of Supply Chain of 2GO. She is also the President of Scanasia Overseas, Inc. and 2GO Logistics, Inc., both subsidiaries of 2GO. She is a business development professional with over 30 years of experience in supply chain, sales and commercial operations from Procter and Gamble and Mondelez International operations, working across multiple countries. She also led project management on organization transformation, acquisition and outsourcing, technology and innovation implementation and organization learning and development focused on upskilling and reskilling of the workforce. Ms. Vicencio holds a B.S. Management and M.A. Psychology (units) from the Ateneo de Manila University.

Ms. Frances Anne Alonzo Babar is the President of 2GO Express, Inc. and 2GO Land Transport, Inc., both subsidiaries of 2GO. She has more than 23 years of experience in leading various sales, marketing and commercial organizations in various industries, with expertise in planning and strategy, account expansion and diversification, solutions set-up, and business and product development. She previously served as the Vice-President for Sales at Airfreight 2100, Inc. and as General Manager of One Stop Logistics, Inc. (Magsaysay Shipping and Logistics) and held leadership roles for sales, marketing and commercial operations at UBIX Corporation, The Manila Hotel and Sofitel Philippine Plaza. Ms. Babar earned her degree in Bachelor of Science in Psychology from St. Paul University in Manila and completed with high honors her Master's Degree in Business Administration – Top Executive Program from the Pamantasan ng Lungsod ng Maynila (University of the City of Manila).

Ms. Sharon May Ngo is Vice-President and Business Unit Head of 2GO's Sea Solutions. She has 23 years of experience in the domestic shipping industry, most recently as Commercial Sales Head, Sea Solutions Business Unit, where she has overseen the growth in containerized volume and RORO segments as well as passenger travel.

Her experience includes business development, channel development, account management, A/R and claims management, marketing, and other client-facing roles. Prior to 2GO, she held various category management roles at Coca-Cola Bottlers Philippines, Inc. and freight management roles at Aboitiz System Corp. Ms. Ngo earned her degree in Bachelor of Science in Industrial Engineering from the Mapua Institute of Technology in Manila.

Atty. Phil Ivan A. Chan is the Assistant Corporate Information Officer of 2GO. He is also the Assistant Corporate Secretary of listed company Premium Leisure Corp. He is co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano. Atty. Chan has been recognized by the Legal 500 Asia Pacific as a "Recommended Lawyer" in Corporate and M&A, and Real Estate and Construction. Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from 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 meetings 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:	Paquito N. Ochoa, Jr.
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 2023-2024.

As of date, the following have been nominated for election to the Board of Directors for the ensuing year, 2023-2024:

1. Frederic C. DyBuncio
2. Francis C. Chua
3. Elmer B. Serrano
4. Sing Mein Ang
5. Kiat Chan
6. Stephen Ly
7. Paquito N. Ochoa, Jr.
8. Laurito E. Serrano
9. Jesus G. Dureza

The nominees for independent directors for 2023-2024 are Laurito E. Serrano, Jesus G. Dureza, and Paquito N. Ochoa, Jr..

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 nature of the relationship are discussed in the Notes to the financial statements as of December 31, 2022 (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 related party transactions stated therein have no substantial effect on the financial statements and do not involve special risks or contingencies. Transaction prices and terms are determined by the parties on an arms-length basis and approved by the Related Party Transactions Committee while material related party transactions are approved by the Board of Directors in accordance with the Material RPT Policy.

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 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 2022:

Name	Total
Frederic C. DyBuncio	1,458,000
Francis C. Chua	972,000
Laurito E. Serrano	972,000
Elmer B. Serrano	972,000
Jesus G. Dureza	945,000
Paquito N. Ochoa Jr.	972,000
Kiat Chan	1,080,000
Sam Ang	1,080,000
Stephen Ly	810,000

SUMMARY OF COMPENSATION TABLE

Name and Position	Year	Salary	Bonus
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Sharon May M. Ngo - Vice President of Sea Solutions	2023 Estimate	47,733,700	7,544,292
All other officers and directors as a group unnamed		65,174,914	10,862,48
1. Frederic C. DyBuncio. - President and Chief Executive Officer 2. William Charles Howell - Treasurer and Chief Finance Officer 3. Gener C. Lim - Senior Vice President of SCVASI 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc. 5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping	2022	45,789,000	7,220,175
All other officers and directors as a group unnamed		41,187,180	6,864,530
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	50,076,438	8,436,073
All other officers and directors as a group unnamed		48,032,876	8,005,479

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 2022, 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.

In compliance with the requirement of SRC Rule 68 (3)(b)(ix) on the seven (7) year Rotation of External Auditors Signing Partner, Mr. Albert R. Bon has been the Signing Partner of the financial audit since 2020. Prior to him, Ms. Josephine H. Estomo, Partner of SGV & Co., handled the financial audit from years 2017 to 2019.

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:	Mr. Kiat Chan
	Mr. Paquito N. Ochoa, Jr. (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 2023.

(1) External Audit Fees and Services

	Year ended December 31, 2022	**Year ended December 31, 2021**	**Year ended December 31, 2020**
Audit Fees	**5,755,000**	**5,500,000**	**5,850,000**
Audit-Related Fees	**-**	**-**	**-**
All Other Fees	**322,500**	**-**	**-**
TOTAL	**6,077,500**	**5,500,000**	**5,850,000**

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, 2022.

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. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

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**

The Board of Directors of 2GO, at its meeting held on February 22, 2023, approved the merger of 2GO with 2GO's wholly-owned subsidiary SCVASI, with 2GO as the surviving corporation.

<u>Constituent Entities to the Proposed Merger</u>

(1) Surviving entity

Name : 2GO Group, Inc.
Address : 8th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City
Tel. No. : (02) 8528-7171

(2) Absorbed entity

Name : Special Container and Value Added Services, Inc.
Address : No. 551 M. Naval Street, Bangculasi, Navotas City
Tel. No. : (02) 8528-7171

<u>Brief Description of the General Nature of the Business Conducted by SCVASI</u>

For the relevant information on 2GO, please refer to the Management Report.

SCVASI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 8, 2012 to "engage in the domestic and/or international business of transporting any and all kinds of goods and cargoes, by sea, air and land, functioning as non-vessel operating common carrier, engaging in cargo forwarding including acting as cargo consolidator and breakbulk agent, and courier for mails, letters, pouches, other cargoes and personal effects of any and all kinds, types and nature."

SCVASI provides logistics and transportation services via sea, air and land, specializing in the movement of bulk liquids used primarily in manufacturing, cold chain and temperature-controlled solutions for food and non-food, large-scale project logistics, and customs brokerage. SCVASI also engages in cargo forwarding services including acting as cargo consolidator and breakbulk agent. SCVASI serves small and medium enterprises, large corporations, and government agencies throughout the Philippines, as well as international customers doing business in the Philippines. SCVASI owns and operates isotanks, refrigerated containers, refrigerated trucks and equipment. It leverages 2GO's shipping and logistics assets and network throughout the Philippines.

Summary of the Material Features of the Proposed Merger

2GO presently owns approximately 100% of SCVASI's outstanding capital stock.

The transaction will be structured as an upstream merger of SCVASI and 2GO with 2GO as the surviving corporate entity.

The purpose of the transaction is to reduce costs of maintaining the two corporate entities of 2GO and SCVASI and generate operating efficiencies by having one corporate entity. As 2GO owns 100% of SCVASI thus the valuation is based on the net asset value of SCVASI.

The effective date of the merger shall be, for all intents and purposes, the date when the Certificate of Merger shall have been issued and released by the Securities and Exchange Commission. If the merger is completed, SCVASI ceases to operate and loses its corporate entity while 2GO, as the surviving corporation of the merger, shall continue its corporate existence under the laws of the Republic of the Philippines.

Dividends in Arrears

2GO has no dividends in arrears nor defaults in principal or interest in respect of any security that will be impaired or affected by the proposed merger with SCVASI.

Comparison of Relevant Information [2GO financial info below is 2GO Parent only, not 2GO consolidated]

In Millions (PhP)	2GO		SCVASI	
	Fiscal Year Ended		Fiscal Year Ended	
	2022	2021	2022	2021
Total Revenues	9,516	6,128	2,199	1,658
Net income	465	(750)	57	118
Long-term debt	498	3,989	0	0

In PhP	2GO		SCVASI	
	Fiscal Year Ended		Fiscal Year Ended	
	2022	2021	2022	2021
Book value per share	0.91	0.71	32.74	52.63
Cash dividends declared per share	None	None	21.00	43.75
Earnings per share	0.19	(0.30)	11.42	29.58

Regulatory Requirements

Subsequent to the approval by the stockholders of 2GO during its Annual Stockholders' Meeting in April 18, 2023, 2GO will seek the approval of the Securities and Exchange Commission (**SEC**) prior to the execution of the merger.

Report, Opinion or Appraisal from an Outside Party Relating to the Merger

As of date, there are no reports, opinions or appraisals relating to the merger which have been received from an outside party.

Past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past two fiscal years between 2GO or its affiliates and SCVASI or its affiliates such as those concerning a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets

None.

<u>As to each class of securities of the registrant or of the other person which is trading on an exchange or with respect to which a market otherwise exists, state the high and low sale prices as of the date, which shall be specified, preceding public announcement of the proposed transaction, or if no such public announcement was made, as of the date, which shall be specified, preceding the day the agreement or resolution with respect to the action was made</u>

SCVASI common shares are not listed. 2GO common shares are listed in the PSE. The high and low market prices of 2GO shares for each quarter of calendar year 2022, and that of the past two calendar years, as reported by the PSE, are shown below:

	2022				2021				2020			
Stock Prices		High		Low		High		Low		High		Low
1st Quarter	₱	7.86	₱	7.17	₱	10.86	₱	8.05	₱	15.02	₱	11.88
2nd Quarter		7.57		6.81		9.15		8.00		13.08		9.55
3rd Quarter		7.55		6.20		8.56		8.01		11.30		9.80
4th Quarter		7.25		6.00		8.19		7.40		11.18		9.42

On February 21, 2023, the date preceding the disclosure of the planned merger, the high and low sale prices of the Company's common shares at the PSE are PhP7.05 per share and PhP6.86 per share, respectively.

As of February 22, 2023, the closing price of the Company's common shares at the PSE is PhP6.95 per share.

<u>Statement on Principal Accountants</u>

Representatives of SGV are expected to be present at the Annual Meeting, and 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.

<u>Additional Information Required (Information for the Registrant and for the Other Person)</u>

For the relevant information for the registrant 2GO, please refer to the Management Report attached to this Information Statement.

For information on SCVASI, please refer to **Annex "A"**.

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. <u>OTHER MATTERS</u>

Item 15. **Action with Respect to Reports**

During the Annual Stockholders' Meeting held on May 26, 2022 via remote communication, a total of 2,083,329,137 shares were present, in person or by proxy, representing approximately 84.61% of the outstanding shares of 2GO.

The Stockholders approved the Minutes of the Previous Annual Stockholders Meeting held last April 23, 2021, ratified the resolutions passed by its Board of Directors and the President covering the period from April 23, 2021 up to May 26, 2022, and noted the Management and Financial Reports for 2021. 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 May 26, 2022, appended to this Information Statement as Annex "B". 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, duly certified by the Corporate Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer.

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.

For the period ended December 31, 2022, 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 18, 2023 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 voluntary delisting of 2GO shares from the Main Board of the PSE approved by 2GO's Board of Directors during its meeting held on February 28, 2023 shall be submitted for approval and ratification by stockholders during the annual stockholders' meeting. The affirmative vote of stockholders owning or representing at least 2/3 of 2GO's outstanding capital stock is required to approve said corporate action. The approval of the stockholders of the Corporation is sought in compliance with the Voluntary Delisting Rules of the PSE.

The ratification of all acts of the Board of Directors and Board Committees for the period starting May 26, 2022 shall likewise be submitted, for ratification, to the stockholders owning or representing at least a majority of the outstanding 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
April 6, 2022	Notice of Annual Meeting of Stockholders; Approval of 2021 Audited Financial Statements; Appointment of Atty. Jufil E. Siquian as Corporate Governance and Compliance Officer
March 11, 2022	Material Information/Transactions – Grant of Request for Exemptive Relief
May 26, 2022	Results of Annual Stockholders' Meeting; Results of the Organizational Meeting of the Board of Directors; Initial Statement of Beneficial Ownership of Securities – for Phil Ivan A. Chan, Assistant Corporate Information Officer
February 22, 2023	Results of Board Meeting, including the approval of the merger of 2GO and its wholly-owned subsidiary, Special Container and Value Added Services, Inc., with 2GO as the surviving entity.
February 28, 2023	Tender Offer by SM Investments Corporation; Voluntary Delisting of 2GO Shares from PSE Main Board

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, except for the merger of 2GO and SCVASI and the voluntary delisting of 2GO shares from the PSE Main Board, shall require the vote of the stockholders representing at least a majority of the Company's outstanding capital stock.

The proposed merger of 2GO and SCVASI, with 2GO as surviving entity requires the affirmative vote of two-thirds (2/3) of the Company's outstanding capital stock.

The voluntary delisting of 2GO from the Main Board of the PSE requires the affirmative vote of two-thirds (2/3) of the Company's outstanding capital stock. The PSE Voluntary Delisting Rules also requires that the number of votes cast against the delisting proposal should not be more than ten percent (10%) of the Company's outstanding and listed shares of the Corporation.

(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 11, 2023 at the Office of the Corporate Secretary at the 1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City, Philippines 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/asm.

The Corporate Secretary will lead the validation of proxies, in coordination with 2GO's stock and transfer agent. 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 Bonifacio Global City on MAR 17 2023.

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, 2022 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 2022 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 years ended December 31, 2022 and 2021 are as follows.

Results of Operations for the Years Ended December 31, 2022 and 2021

Amounts in millions		Dec 31, 2022		Dec 31, 2021	% Change
Revenue	₱	**19,268**	₱	**15,408**	**25%**
Costs of Services and Goods Sold		17,496		14,814	(18%)
Gross Profit		**1,772**		**594**	**198%**
General and Administrative Expenses		1,035		1,344	23%
Operating Income		**738**		**(750)**	**198%**
Other Charges		367		349	(5%)
Provision for Income Tax		58		44	(33%)
Net Income (Loss)	₱	**312**	₱	**(1,143)**	**127%**
Add back:					
Financing Charges (Interest)		490		417	(17%)
Provision for Income Tax		58		44	(33%)
Depreciation and Amortization		1,362		1,453	6%
EBITDA	₱	**2,222**	₱	**771**	**188%**

2GO Group, Inc. and subsidiaries ("2GO" or the "Group") delivered a ₱1.46B or 127% turnaround year-over-year ("YoY") with Net Income of ₱312M in 2022 vs. Net Loss of ₱1.14B in 2021. 2GO's performance was driven by focusing on profitable services and customers together with improving market conditions and continued cost controls to drive scale and efficiencies. Total revenue increased 25% YoY, while total operating costs increased only 15% which led to Operating Income of ₱738M in 2022, an improvement of ₱1.49B or 198% vs. 2021. EBITDA improved 188% YoY to ₱2.22B at 11.5% margin in 2022 compared to ₱771M and 5.0% in 2021.

Shipping revenue, which is comprised of sea freight and passenger travel, increased 67% YoY. Sea freight revenue increased 48%. Travel revenue increased 217%. Revenue from Logistics and other services increased 30% YoY from continued growth of 2GO's cold chain reefers and ISOtank containers, forwarding, ecommerce fulfillment, and international courier business. Distribution revenue declined 10% YoY as 2GO focused on more profitable principals. Shipping accounted for 33% and Non-shipping accounted for 67% of total revenue during 2022, compared to 25% and 75% respectively during 2021.

Cost of services and goods sold increased 18% YoY due to higher volumes for shipping and certain logistics services, offset by 14% lower cost of goods sold for the distribution business. Fuel costs increased 46% YoY. General and administrative expenses decreased 23% YoY due to continued focus on cost controls and lower provisions for doubtful accounts.

Financial Position as of December 31, 2021 and December 31, 2020

Amounts in millions		As of Dec 31, 2022		Dec 31, 2021	% Change
Current Assets	₱	6,624	₱	6,598	0%
Noncurrent Assets		7,768		6,321	23%
Total Assets	**₱**	**14,392**	**₱**	**12,919**	**11%**
Current Liabilities	₱	11,210	₱	7,421	51%
Noncurrent Liabilities		2,187		4,859	(55%)
Total Liabilities	**₱**	**13,397**	**₱**	**12,280**	**9%**
Total Equity		995		639	56%
Total Liabilities and Equity	**₱**	**14,392**	**₱**	**12,919**	**11%**

Total Assets increased 11% from ₱12.9B to ₱14.4B, while Total Liabilities increased 9% from ₱12.3B to ₱13.4B.

Assets
Current Assets is flat at ₱6.6B. Trade and Other Receivables, net of Allowance for Doubtful Accounts increased 19% from ₱2.9B to ₱3.4B in line with the 25% YoY revenue growth in 2022. Inventories decreased 4% YoY due to lower ending inventory of the distribution business. Other current assets decreased 23% YoY due to the reclassification of CWT that is not expected to be utilized in 2023 to noncurrent.

Noncurrent Assets increased 23% from ₱6.3B to ₱7.8B as 2GO capitalized two facility lease renewals in accordance with PFRS 16 on Leases and CWT reclassification as discussed above.

Liabilities
Current Liabilities increased 51% to ₱11.2B from ₱7.4B, mainly due to ₱3.5B of long-term debt, reclassified to current as the debt is due in the next 12 months. Obligations under lease increased 145% or ₱205M due to capitalization of right-to-use assets and lease obligations of 2GO's facilities. Conversely, Short-term Notes Payable decreased 26% from ₱3.1B to ₱2.3B as 2GO repaid part of its short-term debt. Trade and Other Payables increased 21% from ₱4.2B to ₱5.1B in line with the increased cost of services.

Noncurrent Liabilities decreased 55% from ₱4.9B to ₱2.2B due to the reclassification of long-term debt discussed in the previous paragraph.

Equity
Total Equity increased 56% from ₱639M to ₱994M due to Net Income of ₱312M in 2022.

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 Part III – Results of Operations above and 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, 2022 and 2021 and as of December 31, 2022 and December 31, 2021.

	Dec 31, 2022	Dec 31, 2021
Revenue Growth	25.1%	(11.5%)
Net Income Margin	1.6%	(7.4%)
EBITDA (in Millions of Pesos)	₱ 2,222	₱ 771
EBITDA Margin	11.5%	5.0%
	As of	
	Dec 31, 2022	Dec 31, 2021
Current Ratio	0.6	0.9
Interest Bearing Debt to Total Equity	8.0	12.1
Total Liabilities (less effect of PFRS 16) to Total Equity	11.8	18.2
Total Liabilities to Total Equity	13.5	19.2

Net Income margin improved to 1.6% in 2022 vs. -7.4% in 2022. EBITDA improved 188% YoY to ₱2.22B at 11.5% margin in 2022 compared to ₱771M and 5.0% in 2021.

Current Ratio is 0.6 and 0.9 as of December 31, 2022, and 2021, respectively. Interest Bearing Debt to Total Equity improved to 8.0 as of December 31, 2022, from 12.1 as of 2021, while total Liabilities to Total Equity improved to 13.5 from 19.2. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity improved to 11.8 from 18.2 and Bank Debt to Total Equity improved to 6.3 from 11.1.

The Group calculates the key financial ratios as follows:

Revenue Growth	(Total Revenue current period / Total Revenue prior period) – 1
Net Income Margin	Net Income / Total Revenue

EBITDA	Net Income + Interest + Income Tax + Depreciation & Amortization
EBITDA Margin	EBITDA / 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

Company Outlook

2GO 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 2023, 2GO continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. 2GO 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.

Results of Operations for the Years Ended December 31, 2021 and 2020

Amounts in millions		Dec 31, 2021		Dec 31, 2020	% Change
Revenue	₱	**15,408**	₱	**17,409**	**(11%)**
Costs of Services and Goods Sold		14,814		17,442	15%
Gross Profit		**594**		**(33)**	**(1,875%)**
General and Administrative Expenses		1,344		897	(50%)
Other Operational Expenses		-		230	100%
Operating Income		**(750)**		**(1,161)**	**35%**
Other Charges		349		663	47%
Provision for Income Tax		44		19	(129%)
Net Income (Loss)	₱	**(1,143)**	₱	**(1,843)**	**38%**
Add back:					
Financing Charges (Interest)		417		406	(3%)
Provision for Income Tax		44		19	(129%)
Depreciation and Amortization		1,453		1,856	22%
EBITDA	₱	**771**	₱	**439**	**76%**

2GO Group, Inc. and subsidiaries ("2GO" or the "Group") incurred a Net Loss of ₱1.14 billion in 2021 which is a 38% improvement from the 2020 Net Loss of ₱1.84 billion. 2GO intends to address the 2021 loss by the fleet modernization and investments in IT systems. 2GO trimmed its losses in 2021 from the year prior by focusing on profitable customers and services and through stringent cost controls. Total revenue declined 11% year-over-year ("YoY"). Total costs also declined 13% YoY. EBITDA improved 76% YoY to ₱771 million at 5% margin in 2021 compared to ₱439 million and 3 % in 2020.

Shipping revenue, which is comprised of sea freight and passenger travel revenue, decreased 1% YoY. Sea freight revenue increased 12% YoY. However, this growth was offset by a 48% decline in passenger travel revenue resulting as a result of quarantine-related travel restrictions in 2021 compared to 2020 which had unrestricted pre-pandemic travel in January and February. In 2021, 2GO acquired two large ROPAX vessels, M.V. 2GO Maligaya and M.V. 2GO Masagana, as part of the Group's fleet modernization plan. These replaced two retiring ROPAX vessels.

Revenue from Logistics and other services increased 4% YoY from growth of 2GO's cold chain reefers and ISOtank containers, ecommerce fulfillment, and international courier businesses. Distribution revenue declined 29% YoY due to weaker consumer spending and changes to product mix. For the year 2021, Shipping accounted for 25% and Non-shipping accounted for 75% of total revenue, compared to 22% and 78% respectively, in 2020.

Cost of services and goods sold decreased 15% YoY due to lower volumes from the distribution business and 2GO's efforts to improve efficiencies and control costs, mainly transport and delivery expenses. General and administrative expenses increased mainly due to provisions for doubtful accounts and computer charges for new IT systems. Other components of G&A expenses were flat or lower YoY.

Financial Position as of December 31, 2021 and December 31, 2020

	As of				
Amounts in millions		Dec 31, 2021		Dec 31, 2020	% Change
Current Assets	₱	6,598	₱	8,078	(18%)
Noncurrent Assets		6,321		6,681	(5%)
Total Assets	**₱**	**12,919**	**₱**	**14,759**	**(12%)**
Current Liabilities	₱	7,421	₱	8,508	(13%)
Noncurrent Liabilities		4,859		4,585	6%
Total Liabilities	**₱**	**12,280**	**₱**	**13,092**	**(6%)**
Total Equity		639		1,667	(62%)
Total Liabilities and Equity	**₱**	**12,919**	**₱**	**14,759**	**(12%)**

Total Assets decreased 12% to ₱12.9 billion, while Total Liabilities decreased 6% to ₱12.3 billion.

Assets
Current Assets decreased 18% to ₱6.6 billion from ₱8.1 billion. Cash and Cash Equivalents decreased 25% to ₱670 million from ₱890 million. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 29% to ₱2.9 billion from ₱4.1 billion. The decrease in Trade and Other Receivables in 2021 was due to improved collections by the various business units and a decrease in nontrade receivables, which included the current portion of a receivable with a related party settled in 2021.

Noncurrent Assets decreased 5% to ₱6.3 billion from ₱6.7 billion. Property and equipment increased 4% from ₱4.8 billion to ₱5.0 billion due to ROPAX vessel re-fleeting in 2021. Other noncurrent assets decreased by 66% from ₱802 million to ₱276 million mainly due to the settlement of a long-term receivable from a related party in 2021.

Liabilities
Current Liabilities decreased 13% to ₱7.4 billion from ₱8.5 billion. Trade and Other Payables decreased 30% to ₱4.2 billion from ₱6.0 billion due to reductions in trade payables, accrued expenses, and nontrade payables, as the Group worked with its various vendors and suppliers to settle long-outstanding payables Short-term Notes Payable increased ₱943 million or 44% to ₱3.1 billion from ₱2.2 billion due to additional short-term borrowings by the Group.

Noncurrent Liabilities increased 6% to ₱4.9 billion from ₱4.6 billion as 2GO partially financed its vessel acquisitions.

Equity
Total Equity decreased 62% to ₱639 million from ₱1.7 billion due to the Net Loss incurred in 2021.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2022 and 2021 and as of December 31, 2022 and December 31, 2021.

		Dec 31, 2021		Dec 31, 2020
Revenue Growth		(11%)		(19%)
Net Income Margin		(7%)		(11%)
EBITDA (in Millions of Pesos)	₱	771	₱	439
EBITDA Margin		5%		3%
		As of		
		Dec 31, 2021		Dec 31, 2020
Current Ratio		0.9		0.9
Interest Bearing Debt to Total Equity		12.1		4.0
Total Liabilities (less effect of PFRS 16) to Total Equity		18.2		7.3
Total Liabilities to Total Equity		19.2		7.9

EBITDA improved 76% YoY to ₱771 million at 5% margin in 2021 compared to ₱439 million and 3 % in 2020.

Current Ratio is as of 0.9 December 31, 2021 and 2020. Interest Bearing Debt to Total Equity increased to 12.1 as of December 31, 2021 from 4.0 as of 2020, while Total Liabilities to Total Equity increased to 19.2 from 7.9. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity increased to 18.2 from 7.3.

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%)**
Add back:					
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 Dec 31, 2020		Dec 31, 2019	% Change
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 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)	₱	439	₱	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 ₱439 million and 3% in 2020 and ₱1.9 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	(Total Revenue current period / Total Revenue prior period) - 1
Net Income Margin	Net Income / Total Revenue
EBITDA	Net Income + Interest + Income Tax + Depreciation & Amortization
EBITDA Margin	EBITDA / 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

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 (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. 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.

The Group's various businesses are known in the market by its strong flagship brand "2GO". The Group is composed of three core business units:

1. ***Sea Solutions*** — known as 2GO Freight and 2GO Travel, the Sea Solutions business unit owns and operates a fleet of roll-on/roll-off freight and passenger (ROPAX) vessels which offer fast and reliable services and the widest choice of routes linking Luzon, Visayas, and Mindanao, through land and sea multimodal transport linkages.

2. ***Logistics*** — operates under the brands 2GO Express, 2GO Logistics, Special Container and Value-added Services, and Kerry Logistics. This business unit offers transportation, warehousing, cold chain solutions, auto rolling cargo shipping, containerized shipping, break bulk & LCL consolidation, ISO tank shipments, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery.

3. ***Distribution*** — known as Scanasia, this business unit leverages on more than 100 years of expertise in Logistics, Distribution, Warehousing, and Inventory Management.

Sea Solutions

2GO Freight provides door-to-door and pier-to-pier transportation of raw materials and finished goods on full container load (FCL), less container load (LCL) or loose cargo shipments. Sea shipments are fulfilled via its fleet of large and medium ROPAX vessels, which are differentiated from freighter vessels as they offer speed and reliability of schedule.

2GO Travel provides comfortable and secure sea transportation between major ports nationwide. 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 Group, Inc.

1. 2GO Express, Inc.

2GO Express provides land, air, and sea transportation and forwarding 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 as the local partner of FedEx.

2GO Retail brings 2GO's end-to-end solutions closer to its customers by offering services of domestic parcel delivery, FedEx international services, and sale of 2GO Travel tickets. The Retail group constantly develops services to cater to the rapidly evolving needs of the retail consumer market.

Subsidiaries of 2GO Express, Inc.

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)

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)

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.

2GO Land Transport, Inc. (Land Transport)

Land Transport 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, 2022, 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 126,695, total annual passenger capacity of approximately two million passengers and aggregate annual cargo capacity of approximately three hundred thousand 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.

Container Yard and Warehousing Facilities

The Company has one of the most extensive networks of container yards and warehousing facilities nationwide.

The Company's warehouse network consists of warehouses in Bacolod, Butuan, Cagayan de Oro, Cebu, Davao, Dumaguete, General Santos, Iligan, Iloilo, Ozamis, Palawan, Zamboanga and the Greater Manila Area. Warehouses are either owned or leased by the Company.

Most of the Company's container yards have been cemented, whether in whole or in part, to achieve greater efficiency in terminal operations, allow for shorter turnaround time in port, greater utilization in stacking of containers and lower repair and maintenance costs for the operating equipment used at the container yards.

Land and Buildings

2GO owns several pieces of land and a number of buildings and warehouses. These are used in the normal course of business.

Containers, Cargo Handling Equipment and Transportation Equipment

2GO owns and leases a variety of containers and other equipment of various types and sizes for use in its cargo operations including forklift, top loaders, yard tractors and trailers or chassis, and delivery vehicles of various sizes.

Liens and Encumbrances

Detailed discussion as regards the mortgage, liens and encumbrance over the properties of the Registrant are disclosed under the Notes of the 2022 Consolidated Financial Statements.

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 February 28, 2023, the market price of 2GO's common stock is P9.10 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
2022		
First Quarter	7.86	7.17
Second Quarter	7.57	6.81
Third Quarter	7.55	6.20
Fourth Quarter	7.25	6.00
2021		
First Quarter	10.86	8.05
Second Quarter	9.15	8.00
Third Quarter	8.56	8.01
Fourth Quarter	8.19	7.40
2020		
First Quarter	15.02	11.88
Second Quarter	13.08	9.55
Third Quarter	11.30	9.80
Fourth Quarter	11.18	9.42

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

As of March 7, 2023 the closing price of 2Go shares is Php14.26.

B. Stockholders

The number of common shareholders of record as of February 28, 2023 is 5,108. The top 20 common stockholders as of February 28, 2023, are as follows:

	Name	No. of Shares	Percentage
1	PCD NOMINEE CORPORATION (FILIPINO)	943,998,840	37.750
2	SM INVESTMENTS CORPORATION	750,754,812	30.022
3	PCD NOMINEE CORPORATION (FOREIGN)	741,653,054	29.658
4	WILLIAM GOTHONG & ABOITIZ INC	38,516,500	1.540
5	ABACUS SECURITIES CORPORATION	1,530,000	0.061
6	CONSTANTINE TANCHAN	1,262,500	0.050
7	SANTIAGO TANCHAN III	1,262,500	0.050
8	FIRST METRO INVESTMENT CORPORATION	648,651	0.026
9	PHILIPS MULTIEMPLOYER RETIREMENT PLAN	631,250	0.025
10	RAMON RIVERO	600,000	0.024
11	DOLL AGRICULTURAL CORPORATION	519,999	0.021
12	AMA RURAL BANK OF MANDALUYONG, INC.	441,875	0.018
13	SUMMIT SECURITIES, INC.	440,963	0.018
14	ELIZABETH CHIU	378,750	0.015
15	JULIO & FLORENTINA LEDESMA FOUNDATION, INC.	338,500	0.014
16	RAMON R. RIVERO	320,000	0.013
17	LILIAN S. LIM	315,625	0.013

18	DANIEL LACSON, JR.	269,708	0.011
19	BONIFACIO O. DOROY	222,960	0.009
20	CONCHITA LEDESMA	201,840	0.008

As of December 31, 2022, the total number of shares owned by the public is equivalent to 378,817,279 shares or equivalent to 15.39%.

In relation to the merger of 2GO and SCVASI discussed in item 12 of the Information Statement to which this Management Report is attached, there will be no significant effect of the merger on beneficial owners owning more than 5% of 2GO common shares since SCVASI is a wholly-owned subsidiary of 2GO.

In relation to the proposed voluntary delisting of 2GO shares from the Main Board of the PSE and tender offer being conducted by SMIC pursuant thereto, a successful tender offer by SMIC will result to it owning a maximum of 1,680,988,251 common shares or 68.27% of 2GO.

C. Dividend 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: Frederic C. DyBuncio, President & Chief Executive Officer

Members: Francis C. Chua, Vice Chairman
Elmer B. Serrano, Corporate Secretary & Chief Information Officer
Laurito E. Serrano, Independent Director
Jesus G. Dureza, Independent Director
Paquito N. Ochoa, Jr., Independent Director
Sing Mein Ang, Director
Kiat Chan, Director
Stephen Ly, 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. Paquito N. Ochoa, Jr. (ID)
Members:	Mr. Laurito E. Serrano (ID)
	Mr. Jesus G. Dureza (ID)

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Paquito N. Ochoa, Jr.	2	2	100%
Jesus G. Dureza	2	2	100%
Laurito E. Serrano	2	2	100%

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

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Jesus G. Dureza	1	1	100%
Laurito E. Serrano	1	1	100%
Frederic C. DyBuncio	1	1	100%

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, and 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

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. Paquito N. Ochoa, Jr. (ID)
Members:	Mr. Laurito E. Serrano (ID)

Mr. Sing Mein Ang

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Paquito N. Ochoa Jr.	1	1	100%
Laurito E. Serrano	1	1	100%
Sing Mein Ang	1	1	100%

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: Mr. Kiat Chan
Mr. Paquito N. Ochoa, Jr. (ID)

Below is the attendance of the Committee members for the meetings held as of December 2022:

	No. of Meetings Attended	Total No. of Meetings	Percentage
Laurito E. Serrano	8	8	100%
Kiat Chan	8	8	100%
Paquito N. Ochoa Jr.	7	8	88%

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 within the ranks of both the 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 adherence of employees to the Employee Code of Conduct, management policies and directives in order to efficiently and effectively achieve company objectives.

The internal control system is designed to effectively safeguard assets, 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.

Among the 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 or mitigated and company objectives are met. Resolutions of internal audit observations are updated and discussed quarterly with Senior Management and the Audit Committee to ensure that 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 is 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 attending regular audit trainings to keep abreast with the current audit standards, trends and developments. This also helps expand the IAD's audit scope and engagements.

The IAD regularly monitors the implementation of the audit recommendation against the target date set by the business unit heads. Results of these monitoring are communicated accordingly to the Senior Management and the Audit Committee. The IAD also uses an audit analytics tool/software to efficiently carry out its audit work.

The IAD continues to deliver value-added services by providing meaningful recommendations to its audit clients using a risk-based approach and methodology.

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 2022 is shown below.

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

Corporate Governance Policies

The 2GO Code of Business Conduct serves to guide employees' and Management's actions in line with the Company's corporate values and core principles. The Code consists of policies relating to ethical and legal standards of behavior and its applicability extends to all employees. 2GO believes that employees' adherence to desirable behaviors and conduct is a prerequisite to work excellence and indispensable to success. Reported violations of the Code are promptly investigated and treated with utmost confidentiality. Investigations of alleged Code violations and the imposition of disciplinary actions when so warranted are guided by the principles of neutrality, fairness and commensurability. There was no deviation from the application of the Code since it was adopted.

The Company also maintains a Manual on Corporate Governance which defines 2GO's compliance framework and identifies the roles and responsibilities of the Board in relation to corporate governance. The Manual sets out the duties and responsibilities of various board committees, Chairman of the Board and the Chief Executive Officer as well as the Company's policies on disclosures and transparency, and the rights and protection of shareholders. The Manual is reviewed and updated periodically and may be accessed via the Company's website.

Moreover, the Company had in place a Conflict of Interest Policy which requires all employees to immediately disclose any direct or indirect personal interest, whether pecuniary or non-pecuniary, that actually or may potentially conflict with the interest of the Company. All employees are likewise required to submit an annual disclosure of real or perceived conflict of interest. On the other hand, the Company's Insider Trading Policy prohibits directors, officers and employees from trading the Company's shares five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results or of any material, stock price-sensitive information. Other existing corporate governance-related policies include the Guidelines on Acceptance of Gifts and Entertainment, the Related Party Transaction Policy, and Policy on Accountability, Integrity and Vigilance otherwise known as the Company's Whistleblowing Policy. 2GO's various corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website.

Information Technology Governance

2GO continues to invest in its information technology infrastructure and software applications and 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 raises the level of accountability of corporate leaders to all 2GO stakeholders, including employees, customers and in particular, the shareholders. Good corporate governance, for this purpose, provides the appropriate reforms to existing practices to better adapt to the collective interests of all stakeholders. Rules must be crafted in accordance with the governance principles for which they are designed to maintain.

2GO, headed by the Board and the Management, aims to further strengthen its commitment to good corporate governance principles of accountability, transparency and integrity consistent with global best practices. 2GO strives to align, to the extent possible, the interests of individual stakeholders of the Company, and of the society in general, in the face of a more complex, open, and highly competitive global market.

FURTHER INFORMATION

The following documents are also available on https://www.2go.com.ph/corporate-governance-policies/

- 2GO Corporate Governance Policies
- 2GO Articles of Incorporation
- 2GO By-Laws
- 2GO Code of Business Conduct
- 2GO Anti-Money Laundering Statement of Policies & Procedure
- 2GO Guidelines on Acceptance of Gifts and Entertainment
- 2GO Alternative Dispute Resolution System
- 2GO Health, Safety & Employee Welfare Policy

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, the Annual Report in SEC Form 17-A and all pertinent materials will be posted at 2GO's website: ***http://www.2go.com.ph***

SCHEDULE A

2GO GROUP, INC.
ANNUAL STOCKHOLDERS' MEETING
April 18, 2023 at 2:00 p.m.

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

The 2023 Annual Stockholders' Meeting (**ASM**) of 2GO Group, Inc. (**2GO** or the **Company**) is scheduled on **April 18, 2023, Tuesday, at 2:00 p.m.** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on March 19, 2023 (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 accordance with Section 49 of the Revised Corporation Code, 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 11, 2023** 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 2GO.

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/asm**

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

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 2023 Open Forum" to asm@2go.com.ph on or before April 11, 2023. 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 asm@2go.com.ph.

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

Annex A

Special Container and Value Added Services, Inc.

Part I

<u>Business Development</u>

Special Container and Value Added Services, Inc. (**SCVASI** or the **Company**) was incorporated and registered with the Philippine Securities and Exchange Commission (**SEC**) on March 8, 2012 to "engage in the domestic and/or international business of transporting any and all kinds of goods and cargoes, by sea, air and land, functioning as non-vessel operating common carrier, engaging in cargo forwarding including acting as cargo consolidator and breakbulk agent, and courier for mails, letters, pouches, other cargoes and personal effects of any and all kinds, types and nature."

The Company is 100%-owned subsidiary of 2GO Group, Inc. (**2GO**).

<u>Business Description</u>

SCVASI provides logistics and transportation services via sea, air and land, specializing in the movement of bulk liquids used primarily in manufacturing, cold chain and temperature-controlled solutions for food and non-food, large-scale project logistics, and customs brokerage. SCVASI also engages in cargo forwarding services including acting as cargo consolidator and breakbulk agent. SCVASI serves small and medium enterprises, large corporations, and government agencies throughout the Philippines, as well as international customers doing business in the Philippines. SCVASI owns and operates isotanks, refrigerated containers, refrigerated trucks and equipment. It leverages 2GO's shipping and logistics assets and network throughout the Philippines.

<u>Bankruptcy Proceedings</u>

SCVASI is not party to any bankruptcy, receivership or similar proceedings.

<u>Material Reclassification, Merger, Consolidation</u>

The Board of Directors of 2GO approved the merger of SCVASI and 2GO with 2GO as the surviving corporate entity.

<u>Description of Property</u>

SCVASI owns and operates 495 units of refrigerated containers which are used to transport goods that need to be temperature controlled during shipment. Refrigerated containers are equipped with a refrigeration unit that is connected to an external power supply or to the power supply on board a ship. SCVASI also owns and operates 100 units of ISOtank containers which are used to transport liquids and powders generally used as inputs to manufacturing.

Legal Proceedings
SCVASI is not currently involved in any material pending litigation or legal proceeding that could be expected to have a material adverse effect on the Company's financial position or its result of operations.

Part II

Market Information
The shares of SCVASI are not listed.

Holders
SCVASI is 100% owned by 2GO Group, Inc.

Dividends
SCVASI declared and paid cash dividends of Php105 million in 2022 and Php175 million in 2021.

Recent sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction
Not applicable.

Part III

Financial Statements
The Audited Financial Statements of SCVASI for the years ended December 31, 2022 and 2021 are attached to this Annex A as Exhibit 1.

Management's Discussion and Analysis of Financial Condition and Results of Operations
For the relevant information for the registrant, please refer to the Management Report attached to this Information Statement.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
There were no disagreements with SyCip Gorres Velayo & Co. on any matter regarding accounting principles or financial disclosures for the financial statements for years ending 2022 and 2021.

Part IV

Directors and Executive Officers
The incumbent Directors and Executive Officers of the Company are as follows:

Officers	Name	Citizenship
Chairman/President	Gener C. Lim	Filipino
Director	Dan Paulo L. Fernan	Filipino
Treasurer	William Charles Howell	Filipino
Director	Arthur A. Sy	Filipino
Corporate Secretary	Sheila Quien	Filipino

Significant Employees

The Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

Family Relationships

All directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the Company.

Involvement in Certain Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as director, executive officer, underwriter or controlling person of the Company:

(1) 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;

(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding,
domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign,
excluding traffic violations and other minor offenses;

(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his or her involvement in any type of business, securities, commodities or banking activities; and

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

EXHIBIT 1

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201204650

COMPANY NAME

SPECIAL CONTAINER AND VALUE
ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of
2GO Group, Inc.)

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

551 M. Naval Street
Bangculasi, Navotas City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
smsec@sminvestments.com	(02) 8528-7171	09175893038
No. of Stockholders	**Annual Meeting (Month / Day)**	**Fiscal Year (Month / Day)**
6	May 15	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Sheila T. Quien	sheila.quien@sminvestments.com	(02) 8528-7171	N/A

CONTACT PERSON's ADDRESS

8th Floor, Tower 1, Double Dragon Plaza, DD Meridian Park Corner Macapagal Avenue and EDSA Extension Bay Area, Pasay City, Metro Manila

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGVFS169651

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Special Container and Value Added Services, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

Gener C. Lim
Chairman of the Board and President

William C. Howell
Treasurer

Signed this 8th day of March, 2023.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Special Container and Value Added Services, Inc.
551 M. Naval Street, Bangculasi, Navotas City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Special Container and Value Added Services, Inc. (a wholly owned subsidiary of 2GO Group, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Financial Statements* section of our report. We are independent of the Company 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 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.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Special Container and Value Added Services, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, 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
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

March 8, 2023

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 13*	**₱48,240,230**	₱36,030,233
Trade and other receivables	*6, 13*	**468,412,957**	387,757,820
Inventories	*7*	**6,848,900**	5,080,806
Other current assets	*8*	**39,446,066**	32,263,866
Total Current Assets		**562,948,153**	461,132,725
Noncurrent Assets			
Property and equipment	*9*	**324,061,075**	144,113,836
Deferred income tax assets	*20*	**14,537,600**	5,941,283
Other noncurrent assets	*10*	**6,673,484**	8,663,505
Total Noncurrent Assets		**345,272,159**	158,718,624
TOTAL ASSETS		**₱908,220,312**	₱619,851,349
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*22*	**₱50,000,000**	₱90,000,000
Trade and other payables	*11, 13*	**357,371,234**	203,212,684
Due to related parties	*13*	**120,462,182**	77,566,567
Current portion of obligation under lease	*12*	**34,703,012**	8,695,227
Income tax payable		**–**	3,505,665
Total Current Liabilities		**562,536,428**	382,980,143
Noncurrent Liabilities			
Noncurrent portion of obligation under lease	*12*	**154,881,352**	3,105,808
Accrued retirement benefits	*14*	**27,103,451**	23,252,921
Total Noncurrent Liabilities		**181,984,803**	26,358,729
Total Liabilities		**744,521,231**	409,338,872
Equity			
Share capital - ₱1 par value	*15*		
Authorized - 20,000,000 shares			
Subscribed - 5,000,000 shares (net of subscription receivable amounting to ₱1,000,000 as of December 31, 2021)		**5,000,000**	4,000,000
Remeasurement gains on net defined benefit liability	*14*	**3,187,161**	3,119,498
Retained earnings	*16*	**155,511,920**	203,392,979
Total Equity		**163,699,081**	210,512,477
TOTAL LIABILITIES AND EQUITY		**₱908,220,312**	₱619,851,349

See accompanying Notes to the Financial Statements.

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

STATEMENTS OF PROFIT OR LOSS

		Years Ended December 31	
	Note	**2022**	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS			
Service fees	*13, 17*	**₱2,178,075,960**	₱1,637,919,241
Others	*17*	**21,377,062**	19,778,517
		2,199,453,022	1,657,697,758
COST OF SERVICES	*13, 17*	**(1,952,046,413)**	(1,352,776,951)
GROSS INCOME		**247,406,609**	304,920,807
GENERAL AND ADMINISTRATIVE EXPENSES	*13, 18*	**(143,369,284)**	(139,757,027)
OPERATING INCOME		**104,037,325**	165,163,780
OTHER CHARGES - Net			
Financing charges	*12, 22*	**(9,695,333)**	(5,600,496)
Interest income	*5*	**119,000**	89,088
Foreign exchange gain (loss)		**1,443,272**	(471,176)
Others - net		**(117,212)**	(1,295,762)
		(8,250,273)	(7,278,346)
INCOME BEFORE INCOME TAX		**95,787,052**	157,885,434
PROVISION FOR (BENEFIT FROM) INCOME TAX	*20*		
Current		**47,286,982**	39,518,170
Deferred		**(8,618,871)**	46,344
		38,668,111	39,564,514
NET INCOME		**₱57,118,941**	₱118,320,920

See accompanying Notes to the Financial Statements.

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2022**	2021
NET INCOME		**₱57,118,941**	₱118,320,920
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gains on net defined benefit liability	*14*	**90,217**	10,796,327
Income tax effect	*20*	**(22,554)**	(3,030,932)
		67,663	7,765,395
TOTAL COMPREHENSIVE INCOME		**₱57,186,604**	₱126,086,315

See accompanying Notes to the Financial Statements.

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Share Capital (Note 15)	Remeasurement Gains (Losses) on Net Defined Benefit Liability- Net of Tax Effect (Note 14)	Retained Earnings (Note 16)	Total
BALANCES AT JANUARY 1, 2021	**₱4,000,000**	**(₱4,645,897)**	**₱260,072,059**	**₱259,426,162**
Net income for the year	–	–	118,320,920	118,320,920
Other comprehensive loss for the year	–	7,765,395	–	7,765,395
Total comprehensive income (loss) for the year	–	7,765,395	118,320,920	126,086,315
Dividend declaration (Note 16)	–	–	(175,000,000)	(175,000,000)
BALANCES AT DECEMBER 31, 2021	**4,000,000**	**3,119,498**	**203,392,979**	**210,512,477**
Issuance of shares of stock	1,000,000	–	–	1,000,000
Net income for the year	–	–	57,118,941	57,118,941
Other comprehensive income for the year	–	67,663	–	67,663
Total comprehensive income for the year	–	67,663	57,118,941	57,186,604
Dividend declaration (Note 16)	–	–	(105,000,000)	(105,000,000)
BALANCES AT DECEMBER 31, 2022	**₱5,000,000**	**₱3,187,161**	**₱155,511,920**	**₱163,699,081**

See accompanying Notes to the Financial Statements.

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

STATEMENTS OF CASH FLOWS

	Note	2022	2021
		Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱95,787,052**	₱157,885,434
Adjustments:			
Depreciation and amortization	*9, 17, 18*	**48,361,491**	50,892,864
Financing charges	*12, 22*	**9,695,335**	5,600,496
Interest income	*5*	**(119,000)**	(89,088)
Unrealized foreign exchange loss (gain) - net		**(2,748,649)**	61,622
Retirement benefit costs	*14*	**3,940,747**	5,336,276
Operating income before working capital changes		**154,916,976**	219,687,604
Decrease (increase) in:			
Trade and other receivables		**(77,906,488)**	145,762,088
Inventories		**(1,768,094)**	(941,953)
Other assets		**1,674,769**	(1,735,640)
Increase (decrease) in:			
Trade and other payables		**151,587,852**	(165,400,109)
Due to related parties		**42,895,615**	(43,276,315)
Net cash generated from operations		**271,400,630**	154,095,675
Benefits paid	*14*	**–**	(234,949)
Interest received		**119,000**	89,088
Income tax paid, including creditable withholding taxes		**(57,919,045)**	(33,704,843)
Net cash flows provided by operating activities		**213,600,585**	120,244,971
CASH FLOWS FROM AN INVESTING ACTIVITY			
Acquisition of property and equipment	*9*	**(17,870,414)**	(58,075,222)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term notes payable	*22*	**50,000,000**	180,000,000
Stock subscription receivable	*15*	**1,000,000**	
Payments of:			
Short-term notes payable	*22*	**(90,000,000)**	(90,000,000)
Obligation under lease	*12, 22*	**(29,635,239)**	(30,897,413)
Financing charges	*12, 22*	**(9,884,935)**	(6,960,131)
Dividend	*16*	**(105,000,000)**	(175,000,000)
Net cash flows used in financing activities		**(183,520,174)**	(122,857,544)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**12,209,997**	(60,687,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**36,030,233**	96,718,028
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**₱48,240,230**	₱36,030,233

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Approval of the Financial Statements

Corporate Information

Special Container and Value Added Services, Inc. (the Company or "SCVASI") was registered with the Philippine Securities and Exchange Commission (SEC) on March 8, 2012 for an initial period of 50 years. Under the Revised Corporation Code of the Philippines, the Company shall have a perpetual corporate life. Its registered office address of the Company is at 551 M. Naval Street, Bangculasi, Navotas City.

The Company provides logistics and transportation services via sea, air and land, specializing in the movement of bulk liquids used primarily in manufacturing, cold chain and temperature-controlled solutions for food and non-food, large-scale project logistics, and customs brokerage. The Company also engages in cargo forwarding services including acting as cargo consolidator and break bulk agent. The Company serves small and medium enterprises, large corporations, and government agencies throughout the Philippines, as well as international customers doing business in the Philippines. The Company owns and operates isotanks, refrigerated containers, refrigerated trucks and equipment. It leverages 2GO's shipping and logistics assets and network throughout the Philippines.

The Company is 100%-owned subsidiary of 2GO Group, Inc. ("2GO"). 2GO is incorporated and domiciled in the Philippines and which shares of stock are listed and traded in the Philippine Stock Exchange (PSE). As of December 31, 2020, 2GO is 35.22%-owned by the KGLI-NM and 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public. The ultimate parent of KGLI-NM is Udenna Corporation ("Udenna"). KGLI-NM and Udenna are incorporated and domiciled in the Philippines.

On June 3, 2021, SMIC acquired additional common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired common shares of 2GO from KGLI-NM and CAMBV, representing 31.73% of 2GO. Public shareholders own 15.42%.

Approval of the Financial Statements

The accompanying financial statements as at December 31, 2022 and 2021 and for the years then ended were approved and authorized for issue by the BOD on March 8, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The financial statements of the Company have been prepared on the historical cost basis of accounting. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All amounts are presented in the nearest peso, except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

3. **Significant Accounting Policies**

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company adopted the following new or revised standards, amendments to standards and interpretations effective for the annual periods beginning January 1, 2022. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, 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 Philippine Accounting Standards (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.

- 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.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, 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.

- *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.

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.

- 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.

Standards Issued But Not Yet Adopted

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

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

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

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

  The amendments clarify paragraphs 69 to 76 of PAS 1 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

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

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

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

The amendments are not expected to have a material impact on the Company.

Deferred effectivity

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

  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 amendments are not expected to have a material impact on the Company.

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

<u>Current versus Noncurrent classification</u>
The Company presents assets and liabilities in the 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 12 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 12 months after the financial reporting period.

All other assets are classified as non-current.

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 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current 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 Company. 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 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 Company recognizes a financial asset or a financial liability in the 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 Company has applied the practical expedient, the Company'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 Company 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 Company 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 Company's financial instruments depends on the following:

- The Company'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 Company 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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the 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 statement of profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company 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 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 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company'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 statement of financial position) are classified 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 statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Company's short-term notes payable, trade and other payables, due to related parties and obligations under lease 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 Company 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 Company 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 Company 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 Company'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 Company 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 profit or loss.

Impairment of financial assets
The Company 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 Company 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 Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. 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 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 Company 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 Company and all of the counterparties.

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 Company's historical inventory expiration experience and physical inspection.

Property and Equipment
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated 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.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively.

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 Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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 is computed using the straight-line method over the estimated useful lives of the assets, namely:

	In Years
Containers and reefer vans	5 - 10
Buildings	5 - 20
Transportation equipment	5 - 7
Furniture, fixtures and equipment	3 - 5
Leasehold improvements	Shorter of 5 - 20 or lease term

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.

Impairment of Nonfinancial Assets
The carrying values of the Company’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 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 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.

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 Company is solely composed of the remeasurement gains or losses on accrued retirement benefits, net of taxes.

Retained Earnings 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 Company expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

Service fees

Service fees are recognized when the related services are rendered.

Others

Other revenues are recognized when the related services have been rendered.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company 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 Company'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 for "Financial instruments - initial recognition and subsequent measurement."

Other Income
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.

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.

Cost of service
Cost of service is recognized as expense when the related services are rendered.

General and administrative expenses
General and administrative expenses are incurred in the directing and general administration of day-to-day operation of the Company and are generally recognized when the service is rendered of expense is incurred.

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 Company 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 Company 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 Company 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 Company, nor can they be paid directly to the Company. 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 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

The Company 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 Company 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, reefer vans and transportation equipment	3-10
Office space	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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company 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 Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized. 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 Company 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.

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 other comprehensive income is recognized in the statement of comprehensive income and not in the 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.

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

Creditable Withholding Taxes (CWTs)
CWTs included in "Other current assets" account in the 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.

<u>Dividends</u>
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.

Provisions
Provisions are recognized when the Company 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 Company 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.

Contingencies
Contingent liabilities are not recognized in the 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 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 year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the 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 Company'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 financial statements:

Revenue from contracts with customers
The Company applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Determining the timing of satisfaction of performance obligation on service fees*
  The Company assessed that performance obligation for service fees 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 judgment. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of cargo acceptance of the Company up to the date of delivery to the customers.

- *Determining the timing of satisfaction of performance obligation on sale of goods*
  The Company assessed that performance obligation for sale of goods are recorded at a point in time. Hence, the Company recognize revenue upon delivery of the good and acceptance by the buyer.

- *Determining whether the Company is acting as principal or an agent*
  The Company assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:
  - whether the Company has primary responsibility for fulfilling the promise to providing the services;
  - whether the Company has inventory risk; and
  - whether the Company has discretion in establishing prices.

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

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

Determining the lease term of contracts with renewal and termination options - Company as lessee
The Company determines the lease term as the non-cancellable term of the lease. The Company 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 Company. Refer to Note 12.

<u>Estimates and Assumptions</u>
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 Company 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 Company 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 Company '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 Company 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). Refer to Note 12.

Provision for ECL of trade receivables and contract assets
The Company 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 Company's historical observed default rates. The Company 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 transportation 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 Company'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 6.

Determination of NRV of inventories
The Company'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 reporting period. A new assessment is made at 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 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. Refer to Note 7.

Estimation of useful lives of property and equipment
The useful life of each of the Company's item 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.

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 9.

Assessment of impairment and estimation of recoverable amount of property and equipment
The Company assesses at the end of each reporting period whether there is any indication that its property and equipment 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 of disposal and its value-in-use (VIU). In determining fair value less costs of disposal, appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Company 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 property and equipment, 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 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 Company.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company 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 changes under PFRS.

No impairment loss was recognized in 2022 and 2021. Refer to Note 9.

Estimation of retirement benefits cost and obligations
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 14 to the financial statement and include, among others, discount rate and future salary increase. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company'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 14.

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 future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

The determination of future taxable income requires the estimation and use of assumptions about the Company's future income and timing of reversal of temporary differences. Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized. Refer to Note 20.

5. Cash and Cash Equivalents

This account consists of:

	Note	**2022**	2021
Cash on hand and in banks	*13*	**₱48,240,230**	₱34,371,912
Cash equivalents		–	1,658,321
		₱48,240,230	₱36,030,233

Cash on hand consists of revolving fund used by the Company for day-to-day operations. Cash in banks earn interest at their respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at prevailing market rates.

Interest income earned from cash in banks and cash equivalents amounting to ₱119,000 and ₱89,088 in 2022 and 2021, respectively, are included under "Interest income" account in the statements of profit or loss.

6. Trade and Other Receivables

The details of trade and other receivables as of December 31 are as follows:

	Note	**2022**	2021
Trade:			
Third parties		**₱296,379,418**	₱241,373,061
Related parties	*13*	**28,673,610**	13,117,335
Contract assets - third parties		**95,983,819**	89,125,117
Nontrade		**6,376,395**	2,111,291
Due from related parties	*13*	**40,122,450**	41,020,527
Advances to officers and employees		**7,328,738**	7,692,129
		474,864,430	394,439,460
Less allowance for ECL		**(6,451,473)**	(6,681,640)
		₱468,412,957	₱387,757,820

a. Trade receivables are noninterest-bearing and are generally on 30 to 60-day terms.

b. Nontrade receivables include insurance from other claims. These receivables are noninterest-bearing and collectible on demand.

c. Contract assets relate to revenue earned from unbilled receivables which represent the amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account varies and depends on the timing of issuance of billing invoice to customers.

d. The following tables set out the rollforward of the allowance for ECL as at December 31:

	2022		
	Trade and Contract Assets	**Non Trade**	**Total**
Balances at beginning of year	**₱6,292,017**	**₱389,623**	**₱6,681,640**
Provision (Recovery) (Note 18)	**(3,925,404)**	**3,925,404**	
Write-off		**(230,167)**	**(230,167)**
Balances at end of year	**₱2,366,613**	**₱4,084,860**	**₱6,451,473**

	2021		
	Trade and Contract Assets	Non Trade	Total
Balances at beginning of year	₱7,648,680	₱389,623	₱8,038,303
Provision (Note 18)	11,397,793	–	11,397,793
Write-off	(12,754,456)	–	(12,754,456)
Balances at end of year	₱6,292,017	₱389,623	₱6,681,640

7. Inventories

The balance of inventories (stated at cost) as at December 31, 2022 and 2021 amounted to ₱6,848,900 and ₱5,080,806, respectively, net of allowance for inventory obsolescence amounting to ₱1,031,638. The provision for inventory obsolescence amounted to ₱513,490 in 2021 (nil in 2022) and is presented as part of "General and Administrative Expenses" in the statement of profit or loss (see Note 18). The amount of inventories included as cost of sales and services amounted to ₱13,303,870 and ₱17,294,067 in 2022 and 2021, respectively (see Note 17).

8. **Other Current Assets**

This account consists of:

	2022	2021
Deferred input VAT on purchase of services	**₱23,733,404**	₱16,483,801
Creditable withholding tax	**7,126,398**	–
Refundable deposit - current portion (Note 10)	**4,858,659**	4,832,659
Advances to suppliers	**2,166,672**	10,194,336
Input VAT	**948,910**	–
Prepayments	**612,023**	753,070
	₱39,446,066	₱32,263,866

a. Deferred input VAT on purchase of services pertains to the VAT-related to unpaid purchases during the year. This will offset against output VAT upon payment of service purchases.

b. Advances to suppliers are cash payments subject to application to future transactions.

c. Prepayments consist of prepaid insurance, interest and unexpired portion of business taxes.

9. Property and Equipment

The movements and balances for each class of property and equipment are as follows:

	December 31, 2022					
	Containers and Reefer Vans (Note 12)	Furnitures, Fixtures and Equipment	Buildings and Leasehold Improvements	Transportation Equipment (Note 12)	Right-of-use Assets (Note 12)	Total
Cost						
January 1, 2022	**₱338,238,715**	**₱35,902,070**	**₱4,879,319**	**₱44,508,528**	**₱109,328,776**	**₱532,857,408**
Additions	**915,390**	**11,809,863**	**2,527,424**	**5,378,033**	**207,418,568**	**228,049,278**
Retirement	**(1,617,843)**	**(37,071)**	□	□	**(16,272,714)**	**(17,927,628)**
December 31, 2022	**337,536,262**	**47,674,862**	**7,406,743**	**49,886,561**	**300,474,630**	**742,979,058**
Accumulated Depreciation and Amortization						
January 1, 2022	**240,862,996**	**29,514,261**	**2,431,367**	**39,483,221**	**76,451,727**	**388,743,572**
Depreciation and amortization	**15,231,303**	**2,965,459**	**328,214**	**3,464,141**	**26,372,374**	**48,361,491**
Retirement	**(1,617,843)**	**(37,071)**	□	□	**(16,272,714)**	**(17,927,628)**
Reclassification/ adjustment	**(259,452)**	**500,000**	**(500,000)**	□	□	**(259,452)**
December 31, 2022	**254,217,004**	**32,942,649**	**2,259,581**	**42,947,362**	**86,551,387**	**418,917,983**
Net Book Values	**₱83,319,258**	**₱14,732,213**	**₱5,147,162**	**₱6,939,199**	**₱213,923,243**	**₱324,061,075**

	December 31, 2021					
	Containers and Reefer Vans (Note 12)	**Furnitures, Fixtures and Equipment**	**Buildings and Leasehold Improvements**	**Transportation Equipment** (Note 12)	**Right-of-use Assets** (Note 12)	**Total**
Cost						
January 1, 2021	₱202,693,799	₱33,797,628	₱3,266,010	₱44,508,522	₱189,112,901	₱473,378,860
Additions	51,597,333	4,086,359	2,932,618		4,163,458	62,779,768
Reclassification/adjustment	83,947,583	(1,981,917)	(1,319,309)	6	(83,947,583)	(3,301,220)
December 31, 2021	338,238,715	35,902,070	4,879,319	44,508,528	109,328,776	532,857,408
Accumulated Depreciation and Amortization						
January 1, 2021	144,832,291	27,078,958	1,637,775	30,797,649	133,504,035	337,850,708
Depreciation and amortization	12,083,122	2,435,303	793,592	8,685,572	26,895,275	50,892,864
Reclassification/ adjustment	83,947,583				(83,947,583)	–
December 31, 2021	240,862,996	29,514,261	2,431,367	39,483,221	76,451,727	388,743,572
Net Book Values	₱97,375,719	₱6,387,809	₱2,447,952	₱5,025,307	₱32,877,049	₱144,113,836

Unpaid acquisition costs of property and equipment amounted to ₱3,462,104 and ₱701,808 as of December 31, 2022 and 2021, respectively.

Depreciation expense charged to operations as follows:

	Note	**2022**	2021
Cost of sales and services	*17*	**₱48,140,502**	₱50,642,029
General and administrative expenses	*18*	**220,989**	250,835
		₱48,361,491	₱50,892,864

In 2022 and 2021, the Company retired various fully depreciated assets.

Right-of-use assets
Containers, reefer vans, transportation equipment and office spaces as of December 31, 2022 and 2021 include units under lease arrangements (see Note 12). Set out below are the carrying amounts of right-of-use assets as of December 31:

	2022		
	Container, Reefer Vans and Transportation Equipment	**Office Space**	**Total**
Cost			
January 1, 2022	**₱85,927,742**	**₱23,401,034**	**₱109,328,776**
Additions	**154,695,735**	**52,722,833**	**207,418,568**
Disposal		**(16,272,714)**	**(16,272,714)**
Reclassification	**7,128,320**	**(7,128,320)**	□
December 31, 2022	**247,751,797**	**52,722,833**	**300,474,630**
Accumulated Depreciation			
January 1, 2022	**56,282,520**	**20,169,207**	**76,451,727**
Depreciation	**17,367,592**	**9,004,782**	**26,372,374**
Disposal		**(16,272,714)**	**(16,272,714)**
Reclassification	**7,128,320**	**(7,128,320)**	□
December 31, 2022	**80,778,432**	**5,772,955**	**86,551,387**
Net Carrying Amounts	**₱166,973,365**	**₱46,949,878**	**₱213,923,243**

	2021		
	Container, Reefer Vans and Transportation Equipment	Office Space	Total
Cost			
January 1, 2021	₱165,711,867	₱23,401,034	₱189,112,901
Additions	4,163,458	–	4,163,458
Reclassification	(83,947,583)	–	(83,947,583)
December 31, 2021	85,927,742	23,401,034	109,328,776
Accumulated Depreciation			
January 1, 2021	119,805,869	13,698,166	133,504,035
Depreciation	20,424,234	6,471,041	26,895,275
Reclassification	(83,947,583)	–	(83,947,583)
December 31, 2021	56,282,520	20,169,207	76,451,727
Net Carrying Amounts	₱29,645,222	₱3,231,827	₱32,877,049

10. Other Noncurrent Assets

This account consists of:

	2022	2021
Refundable deposits - net of current portion	**₱1,787,805**	₱1,787,805
Deferred input VAT for amortization	**4,885,679**	6,875,700
	₱6,673,484	₱8,663,505

a. Deferred input VAT relates primarily to the major capital expenditures subject to amortization.

b. 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.

11. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		**₱50,881,276**	₱46,116,216
Related parties	*13*		5,000,000
Accruals:			
Cost and expense	*13*	**223,861,594**	94,567,868
Salaries and wages		**5,436,510**	8,283,070
Others		**16,530,162**	–
Nontrade		**53,152,328**	41,975,130
Government payables		**7,509,364**	7,270,400
		₱357,371,234	₱203,212,684

a. Trade payables are noninterest-bearing and are generally on 30 to 60-day terms.

b. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consist of customers' deposits, advances from principals and contractors, payables due to government agencies and others.

12. Leases

The Company has entered into lease arrangements with a third party for the lease of containers and reefer vans denominated in United States (US) dollars and leases of office space and transportation equipment with third parties denominated in Philippine (PHP) pesos.

Future minimum lease payments under lease, together with the present value of minimum lease payments as of December 31, are as follows:

	2022		2021	
	Future Minimum Lease Payments	**Present Value of Minimum Lease Payments**	Future Minimum Lease Payments	Present Value of Minimum Lease Payments
Less than one year	**₱45,190,491**	**₱34,703,012**	₱8,862,971	₱8,695,227
Between one and five years	**162,601,522**	**154,881,352**	3,105,808	3,105,808
	207,792,013	**189,584,364**	11,968,779	11,801,035
Interest component	**18,207,649**		167,744	
Present value	**₱189,584,364**	**₱189,584,364**	₱11,801,035	₱11,801,035

Set out below are the amounts recognized in the statements of profit or loss for the years ended December 31 in relation to the obligation under lease and the related right-of-use assets:

	2022	2021
Depreciation expense of right-of-use assets	**₱26,372,374**	₱26,895,275
Interest expense on lease liability	**5,552,471**	1,289,016
Rent expense - short-term leases (Note 17)	**59,374,178**	75,062,362
	₱91,299,023	₱103,246,653

The rollforward analysis of obligation under lease for the years ended December 31, 2022 and 2021 is disclosed in Note 22.

Lease-related expenses are presented under “Cost of Services” and “Financing Charges” as follows:

	Note	**2022**	2021
Cost of services	*17*	**₱85,746,552**	₱101,957,637
Financing charges		**5,552,471**	1,289,016
		₱91,299,023	₱103,246,653

13. Related Party Transactions

In the normal course of business, the Company has transacted with the following related parties:

Relationship	**Name**
Parent Company	2GO Group, Inc. (2GO)
Under Common Control	2GO Express, Inc.
	2GO Logistics, Inc.
	Kerry Logistics Philippines, Inc.
	Scanasia Overseas, Inc.
Other Affiliated Companies[1]	Banco de Oro Unibank, Inc. (BDO)
	Goldilocks Bakeshop, Inc.
	SM Development Corporation
	SM Prime Holdings, Inc.
	Mindpro Retail, Inc.

(1) SMIC became the 2GO’s Parent Company as of June 3, 2021 (see Note 1). Transactions disclosed are for period starting SMIC obtained control over 2GO.

The following are the revenue and income (cost) included in the statement of profit or loss arising from transactions with related parties:

	Nature	2022	2021
Parent Company	Transportation and delivery	**(₱587,600,692)**	(₱366,911,102)
	Shared costs	**(80,188,372)**	(100,337,667)
	Rent	**(6,723,037)**	(10,824,246)
	Transportation and travel	**(511,876)**	(19,000)
	Others	**(10,717,967)**	(6,026,561)
Under Common Control	Transportation and delivery	**(1,490,330)**	(264,434)
	Insurance		(1,226,712)
	Others	**(166,500)**	(148,285)
Other Affiliated Companies	Service revenue	**26,594,054**	1,175,405
	Interest income	**18,158**	89,088
	Interest expense	**(1,361,285)**	1,400,000

The statements of financial position include the following account balances as at December 31:

	Financial Statements Account	Terms and Conditions	2022	2021
Parent Company	Trade receivables	30-60 days; non-interest bearing	**₱21,580,331**	₱6,322,874
	Due from related parties	On demand; non-interest bearing	**8,387,131**	41,020,527
	Accrued expense	30-60 days; non-interest bearing	**(59,377,215)**	(8,345,547)
	Due to related parties	On demand; non-interest bearing	**(59,959,871)**	(77,328,460)
Under Common Control	Trade receivables	30-60 days; non-interest bearing	**7,093,280**	5,070,634
	Due from related parties	On demand; non-interest bearing	**90,126**	–
	Trade payables	30-60 days; non-interest bearing		(5,000,000)
	Accrued expenses	30-60 days; non-interest bearing	**(1,961,310)**	(1,325,987)
	Due to related parties	On demand; non-interest bearing	**(238,107)**	(238,107)
Other Affiliated Companies	Cash and cash equivalents	On demand; interest bearing	**42,306,870**	27,975,606
	Trade receivables	30-60 days; non-interest bearing	**5,288,000**	4,107,522
	Short-term notes payable	see Note 22	**(50,000,000)**	

Due from or to related parties include amounts pertaining to shared costs. Outstanding balances at year-end are unsecured, interest free and settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Company has not made any provision for impairment losses relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The compensation of identified key management personnel is as follows:

	2022	2021
Salaries and wages	**₱13,839,492**	₱12,511,200
Other employee benefits	**2,346,887**	2,069,200
	₱16,186,379	₱14,580,400

14. Retirement Benefits

The Company does not have a formal retirement plan. The employees' normal retirement benefit shall be a lump sum amount equivalent to 74% of the monthly salary per year of service payable to an employee who retires at the age of 60 with at least five years of service. Benefits are equal to the amount computed equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The defined benefit obligation is determined using the projected unit credit method. The most recent actuarial valuation was carried out as at December 31, 2022.

The following table summarizes the components of the net retirement benefits cost recognized in the statements of comprehensive income and the amounts recognized in the statements of financial position:

	2022	2021
January 1	**₱23,252,921**	₱28,947,921
Net retirement benefits cost in profit or loss:		
Current service cost	**2,738,571**	4,158,096
Net interest cost	**1,202,176**	1,178,180
	3,940,747	5,336,276
Benefits paid	–	(234,949)
Remeasurements losses (gains) in other comprehensive income - actuarial changes arising from changes in:		
Financial assumptions	**(2,553,800)**	(11,401,739)
Demographic assumptions	–	(261,737)
Experience adjustments	**2,463,583**	867,149
	(90,217)	(10,796,327)
December 31	**₱27,103,451**	₱23,252,921

The principal assumptions used in determining defined benefit obligation for the Company's plans as of January 1 are shown below.

	2022	2021
Discount rate	**5.17%**	4.07%
Future salary increase rate	**4.50%**	6.00%
Turnover rate	**scale ranging from 7.50% at age 19 to 0% at age 45**	scale ranging from 7.50% at age 19 to 0% at age 45

As of December 31, 2022, the discount rate, future salary increase rate and turnover rate are 7.34%, 6.00%, and 0.00% to 7.50%, respectively.

Risks Arising from the Retirement Plan
The Company does not maintain a fund for its retirement obligation, which is not required by law. The defined benefit obligation is subject to several key assumptions.

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

	2022		2021	
	Impact on Accrued Retirement Benefits	**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**	Impact on Accrued Retirement Benefits	Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rate	**+1%**	**(₱3,342,993)**	+1%	(₱3,113,917)
	-1%	**3,900,663**	-1%	3,760,544
Salary increase rate	**+1%**	**4,004,526**	+1%	3,747,622
	-1%	**(3,411,117)**	-1%	(3,159,617)

The average duration of the expected benefit payments at the end of the reporting period is 13.5 years in 2022 and 14.8 years in 2021.

Maturity analysis of the benefit payments:

	2022	2021
Less than 5 years	**₱1,827,742**	₱144,747
More than 5 years to 10 years	**25,203,058**	13,508,460
More than 10 years	**294,403,693**	187,874,867

15. Equity

On March 8, 2012, the Parent Company subscribed to 5,000,000 shares of the Company at ₱1.00 per share for a total amount of ₱5.0 million. As at December 31, 2021, outstanding subscription receivable from the Parent Company amounted to ₱1.0 million. This was fully collected in 2022.

16. Retained Earnings

On December 14, 2020, the BOD approved to appropriate amounting to ₱163.0 million for the following projects:
- Acquisition of 100 units of reefer containers (₱80.0 million);
- Acquisition of 60 units of Isotank containers (₱61.0 million);
- Acquisition of trucking equipment (₱7.0 million);
- Front-end system for operational activities (₱15.0 million).

On April 4, 2022, the BOD approved the reversal of appropriation amounting to ₱163.0 million.

Details of the Company's cash dividend declaration are as follows:

BOD Declaration Date	Record Date	Payment Date	Total
June 15, 2021	June 15, 2021	July 2021	₱80,000,000
October 4, 2021	October 1, 2021	November 2021	95,000,000
May 2, 2022	May 2, 2022	May 2022 and June 2022	105,000,000

17. **Revenue from Contracts with Customers and Cost of Services**

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

Performance obligations and timing of revenue recognition
Cold chain, isotank and related additional income: performance obligations are generally satisfied over time once the delivery services are completed.

Set out below is the disaggregation of the Company's revenue from contract with customers for the years ended December 31, 2022 and 2021.

By Service Type	**2022**	2021
Service Fees		
Reefer	**₱1,424,877,353**	₱1,093,054,889
Isotank	**569,492,078**	437,259,699
Special projects	**139,330,604**	83,133,817
Automobile	**–**	709,503
Other value-added services	**44,375,925**	23,761,333
Other revenue	**21,377,062**	19,778,517
	₱2,199,453,022	₱1,657,697,758

Cost of services
The details of cost of sales and services are as follows:

	Note	**2022**	2021
Transportation and delivery	*13*	**₱1,410,224,864**	₱896,972,184
Outside services		**161,324,167**	127,514,349
Personnel costs	*19*	**91,247,341**	79,819,966
Rent	*12,13*	**59,374,178**	75,062,362
Fuel and lubricants		**48,966,962**	29,544,134
Depreciation and amortization	*9*	**48,140,502**	50,642,029
Arrastre and stevedoring		**36,615,068**	20,410,343
Repairs and maintenance		**29,410,928**	28,503,939
Flexibags	*7*	**13,303,870**	17,294,067
Insurance	*13*	**11,236,698**	6,633,452
Supplies		**9,870,993**	4,475,064
Taxes and licenses		**9,057,195**	6,475,182
Utilities		**2,933,940**	2,399,890
Sales related expense		**451,059**	214,226
Others		**19,888,648**	6,815,764
		₱1,952,046,413	₱1,352,776,951

Others include expenses incurred on storage, crating and other operational expenses.

18. General and Administrative Expenses

The details of general and administrative expenses are as follows:

	Note	**2022**	2021
Shared cost	*13*	**₱101,596,339**	₱100,337,667
Personnel costs	*19*	**24,001,394**	20,539,822
Transportation and travel	*13*	**5,578,853**	3,533,610
Outside services		**3,590,620**	1,411,707
Representation and entertainment		**827,545**	258,102
Utilities		**429,457**	450,141
Supplies		**375,821**	331,557
Depreciation and amortization	*9*	**220,989**	250,835
Repairs and maintenance		**11,924**	17,677
Taxes and licenses		**11,320**	2,734
Provision for ECL	*6*	**–**	11,397,793
Provision for inventory obsolescence	*7*	**–**	513,490
Insurance		**–**	9,860
Others		**6,725,022**	702,032
		₱143,369,284	₱139,757,027

Others include expenses for special events, promotions and give-aways.

19. Personnel Costs

This account consists of:

	Note	**2022**	2021
Salaries and wages		**₱98,038,986**	₱86,509,385
Retirement expense	*14*	**3,940,747**	5,336,276
Other employee benefits		**13,269,002**	8,514,127
		₱115,248,735	₱100,359,788

20. Income Taxes

a. The components of provision for income tax are as follows:

	2022	2021
Current		
RCIT	**₱47,286,982**	₱42,002,259
Impact of CREATE in 2020	**–**	(2,484,089)
	47,286,982	39,518,170
Deferred		
Deferred	**(8,618,871)**	(1,124,898)
Impact of CREATE in 2020	**–**	1,171,242
	(8,618,871)	46,344
	₱38,668,111	₱39,564,514

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, CREATE Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

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

Applying the Law, the Company is subjected to lower RCIT rate of 20% or 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Company's 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table on the previous page. The impact of the Law for the remeasurement of deferred income tax assets directly recognized to OCI amounted to ₱331,850.

b. The components of deferred income tax assets as at December 31 are as follows:

	2022	2021
Directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued retirement benefits	**₱7,838,249**	₱6,853,063
Accruals and others	**5,860,720**	–
Obligations under lease	**36,421,404**	1,323,620
	50,120,373	8,176,683
Deferred income tax liabilities on:		
Right of use assets	**(33,833,224)**	(1,195,567)
Unrealized foreign exchange gain	**(687,162)**	–
	(34,520,386)	(1,195,567)
	15,599,987	6,981,116
Directly recognized in OCI:		
Deferred income tax liabilities on remeasurement gains on net defined benefit liability	**(1,062,387)**	(1,039,833)
	₱14,537,600	₱5,941,283

Deferred income tax assets on obligations under leases and deferred income tax liabilities on right-of-use asset pertain to lease arrangements that are treated as operating lease for tax purposes.

The following are the Company's other deductible temporary differences for which no deferred income tax assets have been recognized:

	Note	**2022**	2021
Allowance for ECL	*6*	**₱6,451,473**	₱6,681,640
Allowance for probable losses	*11*	**61,275,475**	22,376,528
Accrued expenses	*11*	**16,530,162**	–
Allowance for inventory obsolescence	*7*	**1,031,638**	1,031,638
Unrealized foreign exchange loss - net		**–**	61,622

As of December 31, 2022 and 2021, management recognized deferred income tax assets only to the extent of probable profit and reversing taxable temporary differences will be available in the near future against which the deferred income tax assets can be utilized.

c. The reconciliation of income tax expense computed at the statutory income tax rates of 25% to the provision for income tax expense as shown in statement of profit or loss is as follows:

	2022	2021
Provision for income tax at statutory rates	**₱23,946,763**	₱39,471,359
Adjustments resulting from:		
Movement in deductible temporary differences for which no deferred income tax assets were recognized	**13,799,737**	1,053,813
Nondeductible expense and others - net	**933,857**	374,461
Interest income subjected to final tax	**(12,246)**	(22,272)
Impact of CREATE in 2020	**–**	(1,312,847)
	₱38,668,111	₱39,564,514

21. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise of cash in banks, cash equivalents, trade and other receivables, refundable deposits, trade and other payables, due to related parties, and obligations under lease.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk and liquidity risk. The major policies for managing these risks are summarized as follows:

Foreign currency risk
Currency risk arises when the Company enters into transactions denominated in currencies other than its functional currency. Management closely monitors the fluctuations in foreign currency 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 Company maintains cash in banks in foreign currency to match its financial liabilities.

The Company's significant foreign currency-denominated financial assets as at December 31 are as follows:

	2022		2021	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Cash in banks	**$7,159**	**₱399,114**	$7,226	₱368,454
Trade and other receivables	**387,075**	**21,579,431**	272,343	13,886,770
Trade and other payables	**(11,925)**	**(664,819)**		
Obligation under lease	**(1,088,799)**	**(60,700,544)**	(77,972)	(3,975,792)
	($706,490)	**(₱39,386,818)**	$201,597	₱10,279,432

The closing exchange rates as at December 31, 2022 and 2021 for $1 are ₱55.75 and ₱50.99, respectively.

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates, with all other variables held constant, of the Company's income before income tax due to changes in fair value of monetary assets and liabilities as of December 31:

	Increase (Decrease) in USD Exchange Rate	**Effect on Income before Income Tax**
2022	**+5%**	**(₱1,969,341)**
	-5%	**1,969,341**
2021	+5%	₱513,972
	-5%	(513,972)

There is no other impact to the Company's equity other than those already affecting the statements of profit or loss.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash deposits with banks and trade and other receivables. The Company trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Since the Company trades only with recognized third parties, collateral is not required in respect of financial assets.

For its cash, the Company's credit risk is generally concentrated on possible default of the counterparty, with a maximum exposure equal to the carrying amount of these deposits. The risk is mitigated mainly by maintaining bank deposits with financial institutions of high credit standing. The Company has concentration of credit risk given that majority of the Company's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Company is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks.

The credit quality per class of financial assets that are current as of December 31 follows:

	2022		
	High	**Medium**	**Total**
Cash in banks	**₱42,306,870**	**₱–**	**₱42,306,870**
Trade and other receivables:			
Trade and contract assets	**147,585,128**	**–**	**147,585,128**
Nontrade	**4,191,340**	**–**	**4,191,340**
Advances to officers and employees*	**8,710**	**–**	**8,710**
Refundable deposits	**6,646,464**	**–**	**6,646,464**
	₱200,738,512	**₱–**	**₱200,738,512**

**Excluding advances amounting to ₱7,320,028 subject to liquidation.*

	2021		
	High	Medium	Total
Cash in banks	₱27,975,606	₱–	₱27,975,606
Cash equivalents	1,658,321	–	1,658,321
Trade and other receivables:			
Trade and contract assets	120,861,530	–	120,861,530
Nontrade	380,500	–	380,500
Advances to officers and employees*	1,103,205	–	1,103,205
Refundable deposits	6,620,464	–	6,620,464
	₱158,599,626	₱–	₱158,599,626

**Excluding advances amounting to ₱6,588,924 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. The Company evaluated its advances to officers and employees as high grade since these are collected through salary deduction.

The Company evaluated its cash in banks as high-quality financial assets since these are placed in financial institution of high credit standing. The credit risk for refundable deposits is considered negligible as the Company has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

The aging per class of financial assets and contract assets and the expected credit loss is as follows:

As at December 31, 2022

		Past Due						
	Current	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Expected Credit Loss**	**Net**
Financial assets								
Cash in banks	**₱42,306,870**	**₱□**	**₱□**	**₱□**	**₱□**	**₱□**	**₱□**	**₱42,306,870**
Trade and other receivables								
Trade and contract assets	**147,585,128**	**153,807,208**	**68,256,131**	**33,681,433**	**6,434,680**	**11,272,267**	**(2,366,613)**	**418,670,234**
Nontrade	**4,191,340**	□	**33,621**	□	**56,448**	**2,094,986**	**(4,084,860)**	**2,291,535**
Due from related parties						**40,122,450**	□	**40,122,450**
Advances to officers and employees*	**8,710**	□	□	□	□	□	□	**8,710**
Refundable deposits	**6,646,464**	□	□	□	□	□	□	**6,646,464**
Total	**₱200,738,512**	**₱153,807,208**	**₱68,289,752**	**₱33,681,433**	**₱6,491,128**	**₱53,489,703**	**(₱6,451,473)**	**₱510,046,263**

**Excluding advances amounting to ₱7,320,028 subject to liquidation.*

As at December 31, 2021

		Past Due						
	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Expected Credit Loss	Net
Financial assets								
Cash in banks	₱27,975,606	₱	₱	₱	₱	₱	₱	₱27,975,606
Cash equivalents	1,658,321							1,658,321
Trade and other receivables								
Trade and contract assets	120,861,530	106,360,044	48,999,680	18,460,229	6,645,055	42,288,975	(6,292,017)	337,323,496
Nontrade	380,500	247,725	214,323	607,395		661,348	(389,623)	1,721,668
Due from related parties						41,020,527		41,020,527
Advances to officers and employees*	1,103,205							1,103,205
Refundable deposits	6,620,464							6,620,464
Total	₱158,599,626	₱106,607,769	₱49,214,003	₱19,067,624	₱6,645,055	₱83,970,850	(₱6,681,640)	₱417,423,287

**Excluding advances amounting to ₱6,588,924 subject to liquidation*

Liquidity risk

Liquidity risk represents the risk that the Company may encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The following table summarizes the maturity profile of the Company's financial liabilities based on contractual repayment obligations and the Company's financial assets:

	December 31, 2022		
	Less than 1 Year	**1 to 5 Years**	**Total**
Financial Liabilities			
Trade and other payables[1]	**₱282,992,861**	**₱–**	**₱282,992,861**
Due to related parties	**120,462,182**	**–**	**120,462,182**
Obligations under lease[2]	**45,190,491**	**162,601,522**	**207,792,013**
	₱448,645,534	**₱162,601,522**	**₱611,247,066**

	December 31, 2022		
	Less than 1 Year	**1 to 5 Years**	**Total**
Financial Assets			
Cash and cash equivalents	**₱48,240,230**	**₱–**	**₱48,240,230**
Trade and other receivables[3]	**461,092,929**	**–**	**461,092,929**
Refundable deposits	**4,858,659**	**1,787,805**	**6,646,464**
	₱514,191,818	**₱1,787,805**	**₱515,979,623**

	December 31, 2021		
	Less than 1 Year	1 to 5 Years	Total
Financial Liabilities			
Trade and other payables[1]	₱156,119,092	₱–	₱156,119,092
Due to related parties	77,566,567	–	77,566,567
Obligations under lease[2]	8,862,971	3,105,808	11,968,779
	₱242,548,630	₱3,105,808	₱245,654,438

	December 31, 2021		
	Less than 1 Year	1 to 5 Years	Total
Financial Assets			
Cash and cash equivalents	₱36,030,233	₱–	₱36,030,233
Trade and other receivables[3]	380,168,896	–	380,168,896
Refundable deposits	4,832,659	1,787,805	6,620,464
	₱421,031,788	₱1,787,805	₱422,819,593

[1]*Excluding nonfinancial liabilities of ₱74,378,373 and ₱47,093,592 as at December 31, 2022 and 2021, respectively.*

[2]*Gross of interest amounting to ₱18,207,649 and ₱167,744 as at December 31, 2022 and 2021, respectively.*

[3]*Excluding advances to officers and employees subject to liquidation ₱7,320,028 amounting to ₱6,588,924 as at December 31, 2022 and 2021, respectively.*

Fair Value of Financial Instruments

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, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Obligations under lease	**₱189,584,364**	**₱180,309,521**	₱11,801,035	₱12,033,553

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, due to related parties and refundable deposits under "Other current assets"
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Refundable deposits included under "Other noncurrent assets"
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.31% to 6.42% as the EIR. The computed fair value approximates the carrying amount of this account.

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.

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 8.15% to 8.28% and 2.5% to 6.0% as of December 31, 2022 and 2021, respectively.

Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for others stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing services commensurately with the level of risk. The Company considers its total equity as its capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

22. Notes to the Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2022:

	January 1, 2022	Cash Flows					December 31, 2022
		Availments	Payments	Net	New leases	Others	
Short-term notes payables	**₱90,000,000**	**₱50,000,000**	**(₱90,000,000)**	**(₱40,000,000)**	**₱□**	**₱□**	**₱50,000,000**
Obligations under lease:							
Current portion	**8,695,227**	□	**(29,635,239)**	**(29,635,239)**	–	**55,643,024**	**34,703,012**
Noncurrent portion	**3,105,808**	–	□	□	**207,418,568**	**(55,643,024)**	**154,881,352**
Total liabilities from financing activities	**₱101,801,035**	**₱50,000,000**	**(₱119,635,239)**	**(₱69,635,239)**	**₱207,418,568**	**₱□**	**₱239,584,364**

For the Year Ended December 31, 2021:

	January 1, 2021	Cash Flows					December 31, 2021
		Availments	Payments	Net	New leases	Others	
Short-term notes payables	₱	₱180,000,000	(₱90,000,000)	₱90,000,000	₱	₱	₱90,000,000
Obligations under lease:							
Current portion	30,502,034	–	(30,897,413)	(30,897,413)	–	9,090,606	8,695,227
Noncurrent portion	8,032,956		–		4,163,458	(9,090,606)	3,105,808
Total liabilities from financing activities	₱38,534,990	₱180,000,000	(₱120,897,413)	₱59,102,587	₱4,163,458	₱–	₱101,801,035

Notes payable represents short-term peso-denominated notes payable obtained by the Company from local banks with annual interest rates ranging from 4.3% to 6.3% in 2022 and 4.0% to 4.5% in 2021. Total interest expense incurred by the Company for short-term notes payable was ₱3.2 million and ₱3.8 million for the years ended December 31, 2022 and 2021, respectively (see Note 13).

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time; and
b. amortization of obligation under lease amounting to ₱5.6 million in 2022 and ₱1.3 million in 2021.

23. Events Connected to the COVID-19 Pandemic and Events After Reporting Period

Events Connected to the COVID-19 Pandemic
Management continues to monitor, evaluate and respond to any continuing impacts of the COVID-19 situation in future reporting periods. 2GO has an established Business Continuity Implementation Plan to manage the risk of any potential disruption in operations that may eventually affect sales and place pressure on the deployment of certain assets.

Events After Reporting Period
On February 22, 2023, the BOD of 2GO approved the merger of 2GO and SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Company.

24. Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs.

The following are the tax information required for the taxable year ended December 31, 2022:

a. VAT

	Amount
Output VAT	₱244,313,923
Basis of Output VAT:	
Vatable sales	2,035,919,891
Sales to government	29,464
Zero-rated sales	105,676,685
Exempt sales	–
	₱2,141,626,040

Input VAT	
Beginning of the year	₱15,454
Current year's domestic purchases:	
Capital goods not exceeding ₱1.0 million	63,624
Capital good amortization	6,827,073
Goods other than capital goods	7,403,527
Importation of goods other than capital goods	11,042,342
Services lodged under other accounts	180,098,670
VAT withheld on sales to government	1,473
Claims for Tax Credit/Refund and Other adjustments	–
Utilized during the year	(204,503,253)
End of year	₱948,910

The Company's sales are subject to VAT while its importation and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

Zero-rated sales of services consist of sales which were rendered to non-resident foreign entities which were paid for in foreign currency and were accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas and to entities with VAT zero rating incentives granted by special laws [Sections 108 (B)(2) and (3) of the NIRC, as amended].

Sales of services subject to VAT are based on actual collections received since for VAT purposes, the VAT on the sale of services accrues upon actual or constructive receipt of the consideration, whether or not services has been rendered. Hence, amounts may not be the same as the amounts accrued in the statements of profit or loss.

b. Withholding Taxes

	Amount
Expanded withholding taxes	₱37,184,124
Tax on compensation and benefits	9,106,919
	₱46,291,043

c. All Other Taxes (Local and National)

	Amount
Other taxes paid during the year recognized under “Taxes and licenses” account presented in “Cost of Services” and “General and Administrative Expense”	
License and permit fees	₱3,761,562
Registration fee and others	5,306,953
	₱9,068,515

d. Tax Cases

The Company has no outstanding tax cases nor litigation and/or prosecution in courts or bodies outside the BIR as of December 31, 2022.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Special Container and Value Added Services, Inc.
551 M. Naval Street, Bangculasi, Navotas City

We have audited the accompanying financial statements of Special Container and Value Added Services, Inc. (the Company) as at December 31, 2022 and for the year then ended, on which we have rendered the attached report dated March 8, 2023.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has one stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

March 8, 2023

SGVFS169651

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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**INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Special Container and Value Added Services, Inc.
551 M. Naval Street, Bangculasi, Navotas City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Special Container and Value Added Services, Inc. (the Company) as at December 31, 2022 and 2021 and for the years then ended, and have issued our report thereon dated March 8, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration are the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This has 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
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

March 8, 2023

SPECIAL CONTAINER AND VALUE ADDED SERVICES, INC.
(A Wholly Owned Subsidiary of 2GO Group, Inc.)

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2022

Retained earnings, beginning		**₱203,392,979**
Appropriated retained earnings, beginning		(163,000,000)
Unappropriated retained earnings, beginning		40,392,979
Less:	Deferred income tax asset, beginning	8,176,683
Retained earnings, beginning, as adjusted		**32,216,296**
Add:	Net income actually earned/realized during the period	
	Net income during the period closed to retained earnings	57,118,941
	Movement in deferred income tax asset	(41,943,690)
	Unrealized foreign exchange gain	(2,748,649)
		12,426,602
Add:	Reversal of appropriation for the year	163,000,000
Less:	Dividend paid during the year	(105,000,000)
Total retained earnings available for dividend declaration		**₱102,642,898**

ANNEX B

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

2GO GROUP, INC.

Held on 26 May 2022 at 9:00 a.m.
(via Remote Communication)

DIRECTORS PRESENT:

FREDERIC C. DYBUNCIO	Chairman of the Board President and Chief Executive Officer Chairman, Executive Committee Member, Risk Oversight Committee
FRANCIS C. CHUA	Vice Chairman
ELMER B. SERRANO	Director and Corporate Secretary Member, Executive Committee
SING MEIN ANG	Director Member, Related Party Transaction Committee
KIAT CHAN	Director Member, Audit Committee
STEPHEN LY	Director
LAURITO E. SERRANO	Lead Independent Director Chairman, Audit Committee Member, Corporate Governance Committee Member, Risk Oversight Committee Member, Related Party Transaction Committee
JESUS G. DUREZA	Independent Director Chairman, Risk Oversight Committee Member, Corporate Governance Committee
PAQUITO N. OCHOA, JR.	Independent Director Chairman, Corporate Governance Committee Chairman, Related Party Transaction Committee Member, Audit Committee

ALSO PRESENT:

WILLIAM CHARLES HOWELL	Chief Financial Officer
ARTHUR A. SY	Assistant Corporate Secretary

Stockholders present in person or represented by proxy	2,083,329,137 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 directors and officers joining remotely.

Mr. Frederic C. DyBuncio, Chairman of the Board, welcomed stockholders and guests to the 2022 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, the 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 5 May 2022. Further, the Corporate Secretary certified that the same notice of meeting was published in the business sections of Manila Times and Daily Tribune, both in print and online formats on 3 and 4 May 2022.

The Corporate Secretary also certified that based on the record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 2,083,329,137 common shares, representing 84.61% of the issued and outstanding capital stock of the Company as of record date of 26 April 2022. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary also informed participants that the meeting will be recorded.

3. Approval of Minutes of the Annual Stockholders' Meeting held on 23 April 2021

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 23 April 2021. 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	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock
2,083,329,137	84.61%	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 23 April 2021 are approved."

4. Approval of 2021 Annual Report and 2021 Audited Financial Statements

The Chairman then requested Mr. William Charles Howell, Chief Financial Officer, to render his report on the results of operations for 2021. Mr. Howell reported as follows:

> "2021 was a year of positive economic growth and recovery for the country as GDP grew 5.6% and unemployment improved to 6.6%. The government's vaccination efforts resulted in a calibrated economic reopening as healthcare utilization rates reached acceptable levels. 2GO played its part by enabling the continuous flow of goods and people amidst the challenges of varying mobility restrictions. We continued to provide nationwide logistics, transportation, and distribution services while at the same time investing and modernizing our service capabilities. We've invested in new vessels, equipment, and technology to better serve our customers and future demand.
>
> 2GO Sea Solutions invested in two modern vessels, MV 2GO Masagana and MV 2GO Maligaya, which are aptly named after the Filipino values of abundance and joy. These new vessels are the largest roll-on/roll-off freight and passenger vessels in the country. Both are equipped with top-notch safety and navigation systems as well as first rate passenger amenities. In addition, we focused on several initiatives to grow and improve profitability. For Travel, we undertook projects to enhance the onboard and terminal experience of our passengers. For freight, our operations team focused on ensuring vessel availability and tighter turn around times, while our sale team focused on ensuring high utilization and high yield business to improve profitability.
>
> Our Special Containers and Cold Chain business, which you may know as SCVASI, continued to serve as the country's leading specialized logistics provider. We invested in additional equipment to expand our capacity and capture growth. We grew our Flexibag business through opportunities in the sugar industry, mainly by transporting sucrose and sugar alcohols used as raw materials in production, while also benefitting from a resurging demand for eggs, poultry and produce. We also experienced strong growth in our project logistics business where we served customers in the power, mining, and telco sectors.
>
> 2GO Express invested in an automated sorting machine and a delivery management system to meet growing customer demand. The new automated sorting machine will be able to efficiently sort over 144,000 parcels per day. The new delivery management system will optimize routing to ensure efficient and timely deliveries. It will also provide our customers the ability to track and trace their deliveries in real time.

2GO Logistics continues to focus on controlling its costs and maintaining service reliability as it grows its cross-dock business. Plans are in place to leverage the operational improvements made possible by the technology investments implemented in the previous year.

Our distribution business, ScanAsia, delivered cost efficiencies in their selling & logistics operations while improving on-shelf service levels and optimizing inventory levels. We've focused on engaging principals which fit our channel strategy and logistics footprint. We've also moved towards digitized solutions to shift to automated orders, and adopted analytics in inventory management, planning and forecasting to align with industry best practices.

Total revenue was Php15.4B in 2021. While our revenue was 11% lower than the previous year, we were able to significantly reduce our Net Loss to Php1.1B, which represents a 38% improvement. EBITDA improved to P=771M or 76%. We achieved this by focusing on profitable services and customers, driving efficiencies in our operations, and stringently controlling costs. We continue to see progress in our efforts and remain optimistic as we recently reported that 2GO trimmed its net loss to Php35M in the first quarter of 2022 compared to Php292M in 2021.

In 2021, SM Investments Corporation increased its strategic investment in 2GO, making it our largest shareholder. We also welcomed Singaporean private equity firm Archipelago Capital Partners (ACP) who invested as 2GO's second largest shareholder. ACP brings its extensive logistics experience and global best practices into the group. These investments are votes of confidence in 2GO and in the potential of the logistics and transportation industry and also help to open up opportunities and create synergies.

In December, Super Typhoon Odette devastated the Visayas region. To help in the relief efforts, 2GO offered free port-to-port deliveries of all relief goods being sent to Cebu. 2GO transported approximately 500 tons of relief goods which included generator sets and essentials such as food, water, tents, linens, mattresses, batteries and medicines. 2GO worked in partnership with organizations including the Gokongwei Brothers' Foundation, Courage Cebu, Philippine Multimodal Transport and Logistics Association and the Philippine Coast Guard.

As the Philippine economy reopens, 2GO stands ready to serve. The company is confident that its modernization efforts and focus on more efficient operations will further improve service levels and drive it towards profitability.

Finally, I would like thank our Board of Directors for their guidance and our shareholders for their support. I would like to especially thank all of our employees for their hard work and dedication."

After the report, the Chairman thanked Mr. Howell 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	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock
2,083,329,137	84.61%	0	0	0	0

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

"**RESOLVED**, that the 2021 Annual Report and the 2021 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	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock
2,083,329,137	84.61%	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 2022-2023

The next item in the agenda is the election of directors for the year 2022-2023. The Chairman requested Atty. Paquito N. Ochoa, Jr., Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Atty. Ochoa 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 2022-2023:

Mr. Frederic C. DyBuncio
Mr. Francis C. Chua
Atty. Elmer B. Serrano
Mr. Sing Mein Ang
Mr. Kiat Chan
Mr. Stephen Ly

<u>Independent Directors</u>

Mr. Laurito E. Serrano
Atty. Jesus G. Dureza
Atty. Paquito N. Ochoa, Jr.

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

Nominee	No. of Votes
Frederic C. DyBuncio	2,083,329,137
Francis C. Chua	2,083,329,137
Elmer B. Serrano	2,083,329,137
Sing Mein Ang	2,083,329,137
Kiat Chan	2,083,329,137
Stephen Ly	2,083,329,137
Laurito E. Serrano	2,083,329,137
Jesus G. Dureza	2,083,329,137
Paquito N. Ochoa, Jr.	2,083,329,137

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 2022-2023, to serve as such directors until their successors have been duly qualified and elected:
>
> Frederic C. DyBuncio
> Francis C. Chua
> Elmer B. Serrano
> Sing Mein Ang
> Kiat Chan
> Stephen Ly
>
> Independent Directors
>
> Laurito E. Serrano
> Jesus G. Dureza
> Paquito N. Ochoa, Jr.

7. Appointment of External Auditor

The next item in the agenda is the appointment of the Company's external auditor for 2022. 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 2022.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock	No. of Shares	% of Voting Outstanding Capital Stock
2,083,329,137	84.61%	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 2022 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 asm@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 reads, *“Where are we on the path of profitability?”*

The Chairman responded that with the current and prospective customers in mind, the Company has been taking concrete steps in right sizing its operations and securing the expertise needed to improve and grow. He stated that it is on the back of the strong fundamentals built over the past years, that the Company has decided to invest in assets and technology that would amplify the productivity generated by improvements in its people and processes.

He further answered that as proof, Php3.9 billion was recorded as revenues in the first quarter of 2022, which is flat as compared to 2021, and losses were cut down to only PhP35 million, which is a reduction by 88%. The Chairman concluded that with the same revenues as the previous year, the right-sizing and rationalization program has resulted in the improvement of gross revenues and with people, process and technology in place, the Company is equipped and well-positioned to grow along with the recovering market.

The host then read the next and final question. The question reads, “*With the on-boarding of Archipelago Capital Partners, what added value do they bring??”*

The Chairman answered that Archipelago Capital Partners has a long history and expertise in the field of transport and logistics across Southeast Asia. They have been providing invaluable counsel to management, infusing their global best practices in the Company’s operations. He further stated that the collaboration has been fruitful, and that they will continue to work together to grow the company efficiently, ultimately improving shareholder value.

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:

FREDERIC C. DYBUNCIO
Chairman

Annex A

2GO Group, Inc.
Annual Stockholders' Meeting
26 May 2022, 9:00 a.m.

Record of Attendance

Total number of voting shares outstanding	2,462,146,316
Total number of shares present by proxy	2,083,329,137
Total number of shares participating remotely	2,083,329,137
Total number of shares represented	2,083,329,137
Attendance percentage	**84.61%**

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4	4	0	9							

C O M P A N Y N A M E

2GO GROUP, INC. AND
SUBSIDIARIES

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

8TH FLOOR, TOWER 1, DOUBLE
DRAGON PLAZA, EDSA EXTENSION
CORNER MACAPAGAL AVENUE, PASAY
CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y I N F O R M A T I O N

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)
5,109	4th Thursday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Elmer Serrano	calliope.ngo@serranolawlawph.com	(02) 8651-7408	N/A

CONTACT PERSON's ADDRESS

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

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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, 2022, 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, 2022, 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.

Frederic C. DyBuncio
Chairman of the Board
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 22nd day of February 2023

SUBSCRIBED AND SWORN to before me this 2 3 FEB 2023 2023 in MAKATI CITY by affiant exhibiting to me their competent proof of identity as follows: Frederic C. Dybuncio UMID No. CRN-0111-1695672-0, William Charles Howell License No. N26-15-016805.

Doc No. 501
Page No. 99
Book No. II
Series of 2023.

ATTY. KENNETH S. NG, CPA
NOTARY PUBLIC
Commission No. M-118 (2022-2023)
ROLL NO. 64451
PTR NO. 9563552 01/03/2023
IBP LIFETIME MEMBER
MCLE COMPLIANCE NO VII-0019312

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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Fax: (632) 8819 0872
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Building a better working world

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, 2022 and 2021, 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, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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 ₱14.34 billion and from sale of goods amounting to ₱4.93 billion comprise 74.41% and 25.59%, respectively, of the Group's total consolidated revenues for the year ended December 31, 2022. 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.

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

As of December 31, 2022, the Group's vessels in operations and related equipment amounting to ₱2.83 billion and goodwill allocated to the shipping business amounting to ₱580.64 million, comprise 19.61% and 4.03%, 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) Form17-A for the year ended December 31, 2022, 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, 2022 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.

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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
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(Amounts in Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*7*	**₱724,527**	₱670,015
Trade and other receivables	*8,20*	**3,442,385**	2,880,910
Inventories	*9*	**512,773**	532,463
Other current assets	*10*	**1,944,556**	2,514,767
Total Current Assets		**6,624,241**	6,598,155
Noncurrent Assets			
Property and equipment	*11,17,18*	**5,648,558**	4,976,422
Investments in associates and joint ventures	*12*	**334,365**	285,518
Goodwill	*13*	**686,896**	686,896
Deferred income tax assets	*27*	**100,666**	95,430
Other noncurrent assets	*14*	**997,168**	276,300
Total Noncurrent Assets		**7,767,653**	6,320,566
TOTAL ASSETS		**₱14,391,894**	₱12,918,721
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*15*	**₱2,306,000**	₱3,106,000
Trade and other payables	*16,19,20*	**5,059,695**	4,169,985
Obligations under lease - current portion	*11,18*	**347,387**	141,557
Long-term debt - current portion	*11,17*	**3,496,823**	–
Income tax payable	*27*	**–**	3,506
Total Current Liabilities		**11,209,905**	7,421,048
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	*11,17*	**497,977**	3,987,844
Obligations under lease	*11,18*	**1,344,512**	498,008
Accrued retirement benefits	*26*	**344,900**	372,867
Total Noncurrent Liabilities		**2,187,389**	4,858,719
Total Liabilities		**₱13,397,294**	₱12,279,767

(Forward)

	Note	December 31 2022	2021
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		**(60,381)**	(104,094)
Deficit		**(4,662,088)**	(4,970,921)
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**930,345**	577,799
Non-controlling Interests		**64,255**	61,155
Total Equity		**994,600**	638,954
TOTAL LIABILITIES AND EQUITY		**₱14,391,894**	₱12,918,721

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, 2022, 2021 AND 2020

(Amounts in Thousands, Except Earnings Per Common Share)

		Years Ended December 31		
	Note	**2022**	2021	2020
REVENUES FROM CONTRACTS WITH CUSTOMERS				
Shipping:	*5,20*			
Freight		**₱5,014,531**	₱3,394,891	₱3,025,461
Travel		**1,386,989**	437,692	839,139
Nonshipping:				
Logistics and other services		**7,936,523**	6,085,886	5,825,904
Sale of goods		**4,930,178**	5,489,627	7,718,191
		19,268,221	15,408,096	17,408,695
COST OF SERVICES AND GOODS SOLD	*22*	**17,495,885**	14,814,091	17,442,158
GROSS PROFIT (LOSS)		**1,772,336**	594,005	(33,463)
GENERAL AND ADMINISTRATIVE EXPENSES	*23*	**1,034,627**	1,344,299	897,367
OTHER OPERATIONAL EXPENSES	*32*	**–**	–	230,072
OPERATING INCOME (LOSS)		**737,709**	(750,294)	(1,160,902)
OTHER INCOME (CHARGES)				
Equity in net earnings (losses) of associates and joint ventures	*12*	**58,566**	55,407	(43,534)
Financing charges	*24*			
Bank loans		**(393,051)**	(367,827)	(337,147)
Lease liabilities		**(96,757)**	(49,101)	(68,682)
Others - net	*24*	**63,861**	12,781	(213,276)
		(367,381)	(348,740)	(662,639)
INCOME (LOSS) BEFORE INCOME TAX		**370,328**	(1,099,034)	(1,823,541)
PROVISION FOR INCOME TAX	*27*			
Current		**76,470**	45,666	63,748
Deferred		**(18,075)**	(1,754)	(44,550)
		58,395	43,912	19,198
NET INCOME (LOSS)		**₱311,933**	(₱1,142,946)	(₱1,842,739)
Net Income (Loss) Attributable to:				
Equity holders of the Parent Company		**₱308,833**	(₱1,144,160)	(₱1,842,670)
Non-controlling interests		**3,100**	1,214	(69)
		₱311,933	(₱1,142,946)	(₱1,842,739)
Basic/Diluted Income (Loss) Per Share	*28*	**₱0.1254**	(₱0.4647)	(₱0.7484)

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
NET INCOME (LOSS)		**₱311,933**	(₱1,142,946)	(₱1,842,739)
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)
Income tax effect	*27*	–	–	873
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement gains (losses) on net defined benefit liability	*26*	**51,357**	176,443	(58,096)
Income tax effect	*27*	**(12,839)**	(60,234)	17,429
		38,518	116,209	(42,705)
Share in remeasurement loss on retirement benefits of associates and joint ventures	*12*	**5,195**	(1,313)	(2,081)
		43,713	114,896	(44,786)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱355,646**	(₱1,028,050)	(₱1,887,525)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the Parent Company		**₱352,546**	(₱1,029,264)	(₱1,887,456)
Non-controlling interests		**3,100**	1,214	(69)
		₱355,646	(₱1,028,050)	(₱1,887,525)

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, 2022, 2021 AND 2020

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
				Other Comprehensive Income (Losses)										
	Share Capital (Note 21)	**Additional Paid-in Capital** (Note 21)	**Other Equity Reserve** (Note 21)	**Share in Cumulative Translation Adjustment of an Associate**	**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 12)	**Subtotal**	**Deficit** (Note 21)	**Treasury Shares** (Note 21)	**Total**	**Non-controlling Interests**	**Total Equity**
BALANCES AT JANUARY 1, 2020	**₱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)
Other comprehensive income (OCI) closed to retained earnings	–	–	–	–	(178)	–	–	(178)	178	–	–	–	–
BALANCES AT DECEMBER 31, 2020	**2,500,663**	**2,498,621**	**712,245**	**5,294**	**(229,732)**	–	**5,448**	**(218,990)**	**(3,826,761)**	**(58,715)**	**1,607,063**	**59,941**	**1,667,004**
Net loss for the year	–	–	–	–	–	–	–	–	(1,144,160)	–	(1,144,160)	1,214	(1,142,946)
Other comprehensive income (loss) for the year	–	–	–	–	116,209	–	(1,313)	114,896	–	–	114,896	–	114,896
Total comprehensive income (loss) for the year	–	–	–	–	116,209	–	(1,313)	114,896	(1,144,160)	–	(1,029,264)	1,214	(1,028,050)
BALANCES AT DECEMBER 31, 2021	**2,500,663**	**2,498,621**	**712,245**	**5,294**	**(113,523)**	–	**4,135**	**(104,094)**	**(4,970,921)**	**(58,715)**	**577,799**	**61,155**	**638,954**
Net income for the year	–	–	–	–	–	–	–	–	**308,833**	–	**308,833**	**3,100**	**311,933**
Other comprehensive income for the year	–	–	–	–	**38,518**	–	**5,195**	**43,713**	–	–	**43,713**	–	**43,713**
Total comprehensive income for the year	–	–	–	–	**38,518**	–	**5,195**	**43,713**	**308,833**	–	**352,546**	**3,100**	**355,646**
BALANCES AT DECEMBER 31, 2022	**₱2,500,663**	**₱2,498,621**	**₱712,245**	**₱5,294**	**(₱75,005)**	**₱–**	**₱9,330**	**(₱60,381)**	**(₱4,662,088)**	**(₱58,715)**	**₱930,345**	**₱64,255**	**₱994,600**

See accompanying Notes to the Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before tax		**₱370,328**	(₱1,099,034)	(₱1,823,541)
Adjustments for:				
Depreciation and amortization of property and equipment and software	*11,14, 22,23*	**1,361,737**	1,453,153	1,856,449
Financing charges	*24,32*	**489,808**	416,928	413,095
Interest income	*24,32*	**(1,695)**	(2,708)	(39,731)
Loss (gain) on disposal of:				
Property and equipment	*24*	**(11,290)**	36,614	(23,835)
Investment in an associate	*12,20,24*	**(35,086)**	–	–
Provision for impairment of other assets	*23*	**8,647**		
Write-off of investment property	*23*	–	49,790	–
Gain on cessation of business of subsidiaries	*24*	–	(2,889)	(32,652)
Gain on lease pre-termination	*18*	–	–	(14,581)
Equity in net losses (earnings) of associates and joint ventures	*12*	**(58,566)**	(55,407)	43,534
Retirement benefit cost	*26*	**87,939**	85,368	108,019
Unrealized foreign exchange losses (gains)		**(3,251)**	692	1,381
Operating income before working capital changes		**2,208,571**	882,507	488,138
Decrease (increase) in:				
Trade and other receivables		**(544,610)**	1,040,355	(40,586)
Inventories		**19,690**	141,398	137,944
Other current assets		**(13,145)**	139,619	18,217
Other noncurrent assets		**29,777**	47,956	(14,074)
Increase (decrease) in trade and other payables		**769,504**	(1,362,863)	313,460
Net cash generated from operations		**2,469,787**	888,972	903,099
Contribution for retirement fund and benefits paid from book reserve	*26*	**(63,286)**	(23,205)	(18,098)
Interest received		**1,695**	2,708	39,731
Income taxes paid, including creditable withholding taxes		**(245,384)**	(245,833)	(247,369)
Net cash flows provided by operating activities		**2,162,812**	622,642	677,363
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to:				
Property and equipment	*11*	**(503,776)**	(1,918,694)	(456,890)
Software	*14*	**(38,170)**	(15,311)	(70,972)
Proceeds from disposal of:				
Property and equipment	*11*	**52,923**	346,941	57,931
Investment in an associate	*12,20,24*	**10,000**	–	18,000
Collection of proceeds from the sale of a subsidiary and freighters	*24*	–	89,263	100,582
Receipts of (payments for) various deposits	*14*	**914**	8,003	(303)
Net cash flows used in investing activities		**(478,109)**	(1,489,798)	(351,652)

(Forward)

	Note	Years Ended December 31 2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES	*31*			
Proceeds from availments of:				
Short-term notes payable	*15*	**₱2,380,000**	₱2,811,000	₱1,425,000
Long-term debt	*17*	**–**	500,000	1,000,000
Payments of:				
Short-term notes payable	*15*	**(3,180,000)**	(1,868,500)	(1,940,000)
Long-term debt	*17*	**–**	–	(1,500)
Obligations under lease	*18*	**(348,512)**	(395,527)	(413,477)
Interest and financing charges	*24*	**(482,249)**	(397,903)	(390,619)
Debt transaction costs	*17, 24*	**–**	(3,750)	(7,500)
Net cash flows provided by (used in) financing activities		**(1,630,761)**	645,320	(328,096)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**570**	1,724	(28)
NET INCREAE (DECREASE) IN CASH AND CASH EQUIVALENTS		**54,512**	(220,112)	(2,413)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**670,015**	890,127	892,540
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**₱724,527**	₱670,015	₱890,127

See accompanying Notes to the Consolidated Financial Statements.

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.

2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public shareholders as of December 31, 2020.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

The accompanying consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 were approved and authorized for issue by the BOD on February 22, 2023.

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 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, 2022. 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, 2022

Amendments to PFRS 3, *Business Combinations, 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 Philippine Accounting Standards (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.

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.

Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, 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.

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.

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.

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.

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, 2023

Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

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

Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

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

The amendments clarify paragraphs 69 to 76 of PAS 1 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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.

<u>Basis of Consolidation</u>
The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

		Percentage of Ownership	
	Nature of Business	**2022**	2021
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)	Transportation/logistics	**100.0**	100.0
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**	100.0
2GO Land Transport, Inc. (1)	Transportation	**100.0**	100.0
NN-ATS Logistics Management and Holdings Co., Inc. (2)	Holdings and logistics management	**100.0**	100.0
Astir Engineering Works, Inc. (2) (3)	Engineering services	**100.0**	100.0

(Forward)

	Nature of Business	Percentage of Ownership 2022	2021
WG&A Supercommerce, Incorporated [(3)]	Vessels' hotel management	**100.0**	100.0
North Harbor Tugs Corporation	Tugboat assistance	**58.9**	58.9
2GO Rush Delivery, Inc. (RUSH) [(4)]	Transportation/logistics	**100.0**	100.0

[1] *Formerly WRR Trucking Corporation*
[2] *In September 2020, the BOD approved the merger of these companies*
[3] *Ended commercial operations in 2018 or prior*
[4] *Wound down due to non-operation*

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 2022	2021
Associates:			
MCC Transport Philippines (MCCP)	Container transportation	33.0	33.0
Mober Technology PTE Inc. (Mober) (1)	Logistics services		50.0
Joint Ventures:			
KLN Logistics Holdings Philippines Inc. (KLN)(2)	Holding company	78.4	78.4
Kerry Logistics Philippines, Inc. (KLI)	International freight and cargo forwarding	62.5	62.5

[1]*Investment by 2GO Express in 2018. Mober was sold by the Group in August 2022.*
[2]*KLN 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, 2022 and 2021, 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 12 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 12 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 12 months after the reporting period; or
There is no unconditional right to defer the settlement of the liability for at least 12 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 12 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 profit or loss. 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.

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.

There are no noncurrent assets held for sale and discontinued operations as of December 31, 2022 and 2021.

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:

	Note	In Years
Vessels in operations, excluding drydocking costs and vessel equipment and improvements	*4*	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 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.

Business Combinations
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.

<u>Equity</u>
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.

<u>Revenue from Contracts with Customers</u>
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.

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
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.

<u>Borrowing Cost</u>
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 Board of Directors of the Parent Company and subsidiaries. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

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.

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. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of cargo acceptance of the Group up to the date of delivery to the customers.

Determining the method to estimate variable consideration and assessing the constraint
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

a. high susceptibility to factors outside the Group's influence;
b. timing of the resolution of the uncertainty, and
c. having a large number and broad range of possible outcomes.

Some contracts with customers provide promotions, prompt payment discounts, rebates and incentives that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the appropriate method to use in estimating these variable considerations given the large number of contracts with customers that have similar characteristics and the range of possible outcomes.

Some contracts provide customers with a right of return, particularly for damaged or expired goods, which is usually capped at a certain percentage of sales to the entitled customers. Under PFRS 15, rights of return give rise to variable consideration. Accordingly, under PFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned based on the historical experience. For goods expected to be returned, the Group estimates a refund liability, net of the amounts that are reimbursable or chargeable to the original supplier or principal of the products. No right of return assets are recognized since the returns from customers pertain only to damaged or expired goods, which have nil recoverable value.

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 fulfilling the promise to providing the services;
- whether the Group has inventory risk; and
- whether the Group has discretion in establishing prices.

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.

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 teceivables 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 2022 and 2021, 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 on the next page 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 PFRSs.

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	**2022**	2021
Property and equipment	*11*	**₱5,648,558**	₱4,976,422
Investments in associates and joint ventures	*12*	**334,365**	285,518

As at December 31, 2022 and 2021, 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 of goodwill
The Group performs impairment testing on goodwill at least on an annual basis or more frequently, if events or changes in circumstances indicate that these may be impaired.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering seven-year and five-year projections for shipping and nonshipping business, respectively. The value-in-use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five to seven years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the CGUs of the shipping and nonshipping businesses are disclosed in 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, 2022			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
External customers	**₱6,401,520**	**₱12,866,701**	**₱–**	**₱19,268,221**
Intersegment revenue	**1,509,894**	**456,403**	**(1,966,297)**	
Revenues from contracts with customers	**₱7,911,414**	**₱13,323,104**	**(₱1,966,297)**	**₱19,268,221**
Income (Loss) before income tax	**₱523,010**	**(₱47,682)**	**(₱105,000)**	**₱370,328**
Provision for income tax	**(7,553)**	**(50,842)**		**(58,395)**
Segment income (loss)	**₱515,457**	**(₱98,524)**	**(₱105,000)**	**₱311,933**
Segment assets	**₱11,474,059**	**₱6,624,674**	**(₱3,706,839)**	**₱14,391,894**
Segment liabilities	**₱9,029,883**	**₱8,050,000**	**(₱3,682,589)**	**₱13,397,294**
Other Information:				
Capital expenditures	**₱342,903**	**₱291,597**	**₱**	**₱634,500**
Depreciation and amortization	**945,015**	**416,722**		**1,361,737**
Provision for ECL - net	**10,913**	**20,830**		**31,743**
Dividend income	**105,000**		**(105,000)**	
Equity in net eanings of associates and joint ventures	**50,175**	**8,391**		**58,566**

	December 31, 2021			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	₱3,832,583	₱11,575,513	₱–	₱15,408,096
Intersegment revenue	1,178,635	585,634	(1,764,269)	-
Revenues from contracts with customers	₱5,011,218	₱12,161,147	(₱1,764,269)	₱15,408,096
Loss before income tax	(₱726,560)	(₱197,474)	(₱175,000)	(₱1,099,034)
Benefit from (Provision for) income tax	1,440	(45,352)	-	(43,912)
Segment loss	(₱725,120)	(₱242,826)	(₱175,000)	(₱1,142,946)
Segment assets	₱10,780,212	₱5,708,431	(₱3,569,922)	₱12,918,721
Segment liabilities	₱8,871,660	₱6,921,930	(₱3,513,823)	₱12,279,767
Other Information:				
Capital expenditures	₱1,819,832	₱144,248	₱	₱1,964,080
Depreciation and amortization	1,090,283	362,870		1,453,153
Provision for ECL - net	39,001	343,113		382,114
Dividend income	175,000		(175,000)	
Equity in net eanings of associates and joint ventures	29,044	26,363		55,407

	December 31, 2020			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
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	(₱1,591,620)	(₱96,319)	(₱135,602)	(₱1,823,541)
Benefit from (Provision for) income tax	19,242	(38,440)		(19,198)
Segment loss	(₱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	344,970		1,856,449
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)

7. Cash and Cash Equivalents

This account consists of:

	Note	December 31	
		2022	2021
		(In Thousands)	
Cash on hand and in banks	*20*	**₱712,888**	₱653,552
Cash equivalents		**11,639**	16,463
		₱724,527	₱670,015

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 ₱0.4 million, ₱0.5 million and ₱1.2 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	December 31	
		2022	2021
		(In Thousands)	
Trade	*20*	**₱2,954,257**	₱2,053,353
Contract assets		**653,245**	822,822
Nontrade		**328,954**	488,036
Advances to officers and employees		**24,177**	26,918
		3,960,633	3,391,129
Allowance for ECL		**(518,248)**	(510,219)
		₱3,442,385	₱2,880,910

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.

b. Contract assets relate to revenue earned from unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account vary and depend on the timing of issuance of biling invoice to customers.

c. Nontrade receivables include passage bonds, receivable from trustee fund and insurance from other claims which are noninterest-bearing and collectible on demand, and advances to principals. The balance as of December 31, 2022 includes the ₱10.0 million current portion of receivable for the sale of Mober (see Notes 12 and 14).

d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2022 and 2021 and 2020:

		December 31, 2022		
	Note	**Trade and Contract Assets**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱480,602**	**₱29,617**	**₱510,219**
Provision	*23*	**23,058**	**8,685**	**31,743**
Write-off/other adjustments		**(20,202)**	**(3,512)**	**(23,714)**
Ending		**₱483,458**	**₱34,790**	**₱518,248**

		December 31, 2021		
	Note	Trade and Contract Assets	Nontrade	Total
			(In Thousands)	
Beginning		₱582,732	₱155,945	₱738,677
Provision	*23*	318,338	63,776	382,114
Write-off/other adjustments		(345,721)	(262,586)	(608,307)
Deconsolidation of subsidiaries	*20*	(74,747)	72,482	(2,265)
Ending		₱480,602	₱29,617	₱510,219

		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)
Sale of a subsidiary	*32*	(1,052)	–	(1,052)
Ending		₱582,732	₱155,945	₱738,677

9. Inventories

This account consists of:

	December 31	
	2022	2021
At lower of cost and net realizable value:	*(In Thousands)*	
Trading goods	**₱377,355**	₱419,370
Materials, parts and supplies	**19,020**	13,822
At cost:		
Fuel, oil and lubricants	**116,398**	99,271
	₱512,773	₱532,463

The cost of trading goods carried at net realizable value amounted to ₱382.2 million and ₱430.6 million as of December 31, 2022 and 2021 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱21.4 million and ₱16.2 million, respectively. The allowance for inventory obsolescence as of December 31, 2022 and 2021 amounted to ₱7.3 million and ₱13.6 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	**2022**	2021	2020
		(In Thousands)		
Cost of services	*22*	**₱3,083,314**	₱2,072,656	₱1,719,816
Cost of goods sold	*22*	**4,267,990**	4,945,101	6,999,122
General and administrative expenses	*23*	**4,572**	2,073	7,673
		₱7,355,876	₱7,019,830	₱8,726,611

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	**2022**	2021
		(In Thousands)	
CWTs - current portion	*14*	**₱1,461,904**	₱2,045,260
Input VAT		**91,492**	126,384
Prepaid expenses and others		**132,007**	121,280
Deferred input VAT		**117,060**	99,610
Refundable deposits - current portion	*14*	**100,205**	62,748
Advances to suppliers and contractors		**43,437**	61,034
		1,946,105	2,516,316
Allowance for impairment losses		**(1,549)**	(1,549)
		₱1,944,556	₱2,514,767

a. 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.

b. Prepaid expenses and others include prepaid rent, insurance and taxes.

11. Property and Equipment

	December 31, 2022											
	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**	**Total**
							(In Thousands)					
Cost												
January 1, 2022	**₱10,512,687**	**₱1,625,846**	**₱971,904**	**₱458,968**	**₱471,545**	**₱361,559**	**₱424,648**	**₱2,393**	**₱685,781**	**₱53**	**₱1,841,155**	**₱17,356,539**
Additions	**464,727**	**915**	**50,982**	**38,423**	**23,102**	**4,184**	**5,965**		**41,782**	**4,420**	**1,400,661**	**2,035,161**
Disposals/retirements	**(1,287,520)**	**(1,727)**	**(83)**	**(1,223)**			**(885)**				**(730,402)**	**(2,021,840)**
December 31, 2022	**9,689,894**	**1,625,034**	**1,022,803**	**496,168**	**494,647**	**365,743**	**429,728**	**2,393**	**727,563**	**4,473**	**2,511,414**	**17,369,860**
Accumulated Depreciation and Amortization												
January 1, 2022	**7,427,965**	**1,352,582**	**669,319**	**393,357**	**155,179**	**294,683**	**381,729**	**1,237**	**468,779**		**1,235,287**	**12,380,117**
Depreciation and amortization	**678,621**	**59,037**	**56,191**	**24,001**	**2,401**	**6,419**	**27,866**	**478**	**79,496**		**392,461**	**1,326,971**
Disposals/retirements	**(1,245,888)**	**(1,727)**	**(83)**	**(1,223)**			**(885)**				**(730,401)**	**(1,980,207)**
Reclassification/adjustment									**(5,579)**			**(5,579)**
December 31, 2022	**6,860,698**	**1,409,892**	**725,427**	**416,135**	**157,580**	**301,102**	**408,710**	**1,715**	**542,696**		**897,347**	**11,721,302**
Net carrying amounts	**₱2,829,196**	**₱215,142**	**₱297,376**	**₱80,033**	**₱337,067**	**₱64,641**	**₱21,018**	**₱678**	**₱184,867**	**₱4,473**	**₱1,614,067**	**₱5,648,558**

	December 31, 2021											
	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	Total
							(In Thousands)					
Cost												
January 1, 2021	₱11,434,289	₱1,829,394	₱926,818	₱445,977	₱493,288	₱362,793	₱422,423	₱11,815	₱779,153	₱53	₱1,819,330	₱18,525,333
Additions	1,740,418	51,597	115,978	21,608	–	2,908	2,316	5	29,250	–	49,844	2,013,924
Disposals/retirements	(2,661,692)	(238,449)	(68,836)	(7,320)			–	(9,386)	(122,622)	–	(28,019)	(3,136,324)
Reclassification/adjustment	(328)	(16,696)	(2,056)	(1,297)	(21,743)	(4,142)	(91)	(41)				(46,394)
December 31, 2021	10,512,687	1,625,846	971,904	458,968	471,545	361,559	424,648	2,393	685,781	53	1,841,155	17,356,539
Accumulated Depreciation and Amortization												
January 1, 2021	9,039,684	1,478,739	646,171	364,949	152,275	287,133	335,027	4,596	534,788		875,078	13,718,440
Depreciation and amortization	758,647	74,569	47,566	30,283	2,904	7,550	46,702	1,416	56,613	–	388,228	1,414,478
Disposals/retirements	(2,370,366)	(200,726)	(24,418)	(1,875)	–	–	–	(4,775)	(122,622)	–	(28,019)	(2,752,801)
December 31, 2021	7,427,965	1,352,582	669,319	393,357	155,179	294,683	381,729	1,237	468,779	–	1,235,287	12,380,117
Net carrying amounts	₱3,084,722	₱273,264	₱302,585	₱65,611	₱316,366	₱66,876	₱42,919	₱1,156	₱217,002	₱53	₱605,868	₱4,976,422

Property and equipment under lease
Containers, reefer vans, isotanks, cargo handling equipment, and office and operational spaces as of December 31, 2022 and 2021 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2022, 2021 and 2020 amounting to ₱1,400.7 million, ₱49.8 million and ₱36.9 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2022, 2021 and 2020 amounted to ₱392.5 million, ₱388.2 million and ₱430.3 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, 2022 and 2021.

December 31, 2022

	Container Yard	**Office**	**Warehouse**	**Outlet**	**Equipment**	**Total**
			(In Thousands)			
Cost						
January 1, 2022	**₱181,714**	**₱323,423**	**₱1,072,190**	**₱**	**₱263,828**	**₱1,841,155**
Additions	**561,968**	**52,723**	**631,275**		**154,695**	**1,400,661**
Disposal	**(180,695)**	**(23,401)**	**(449,487)**		**(76,819)**	**(730,402)**
December 31, 2022	**562,987**	**352,745**	**1,253,978**		**341,704**	**2,511,414**
Accumulated Depreciation						
January 1, 2022	**176,615**	**120,480**	**726,348**		**211,844**	**1,235,287**
Depreciation	**61,049**	**42,341**	**265,714**		**23,357**	**392,461**
Disposal	**(180,695)**	**(23,401)**	**(449,485)**		**(76,820)**	**(730,401)**
December 31, 2022	**56,969**	**139,420**	**542,577**		**158,381**	**897,347**
Net Carrying Amount	**₱506,018**	**₱213,325**	**₱711,401**	**₱**	**₱183,323**	**₱1,614,067**

December 31, 2021

	Container Yard	Office	Warehouse	Outlet	Equipment	Total
			(In Thousands)			
Cost						
January 1, 2021	₱181,714	₱323,423	₱1,051,512	₱3,016	₱259,665	₱1,819,330
Additions	–	–	45,681	–	4,163	49,844
Disposal	–	–	(25,003)	(3,016)	–	(28,019)
December 31, 2021	181,714	323,423	1,072,190	–	263,828	1,841,155
Accumulated Depreciation						
January 1, 2021	88,898	80,672	523,129	2,784	179,595	875,078
Depreciation	87,717	39,808	228,222	232	32,249	388,228
Disposal	–	–	(25,003)	(3,016)	–	(28,019)
December 31, 2021	176,615	120,480	726,348	–	211,844	1,235,287
Net Carrying Amount	₱5,099	₱202,943	₱345,842	₱–	₱51,984	₱605,868

Unpaid acquisition costs of property and equipment amounted to ₱198.4 million and ₱67.7 million as of December 31, 2022 and 2021, 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.

Capitalization of drydocking costs
Vessels in operations also include capitalized drydocking costs amounting to ₱294.7 million, ₱258.5 million and ₱174.9 million for the years ended December 31, 2022, 2021 and 2020, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Acquisition of property and equipment
In 2021, the Group acquired two vessels in operations with an acquisition cost totaling to ₱1,518.2 million.

Sale and disposal of property and equipment
The Group disposed certain property and equipment for consideration of ₱52.9 million, ₱346.9 million and ₱57.9 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2021, the proceeds from the disposal of property and equipment pertain mainly to the sale of two vessels amounting to ₱320.15 million.

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	**2022**	2021	2020
			(In Thousands)	
Cost of services and goods sold	*22*	**₱1,280,830**	₱1,369,850	₱1,723,466
General and administrative expense	*23*	**46,141**	44,628	51,995
Other operational expenses	*32*	**–**	–	62,322
		₱1,326,971	₱1,414,478	₱1,837,783

Property and equipment held as collateral
Property and equipment held or deemed as collateral for leases as at December 31, 2022 and 2021 amounted to ₱2,316.2 million and ₱1,364.6 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱702.1 million and ₱728.6 million as at December 31, 2022 and 2021, respectively, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 17).

12. Investments in Associates and Joint Ventures

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

		Years ended December 31		
	Note	**2022**	2021	2020
			(In Thousands)	
Acquisition - cost:				
Balances at beginning of year*		**₱79,634**	₱79,634	₱79,634
Disposal		**(50,000)**	–	–
Balances at end of year		**29,634**	79,634	79,634
Accumulated equity in net earnings:				
Balances at beginning of year		**201,749**	146,342	189,876
Accumulated equity in net loss of a disposed associate		**35,086**	–	–
Equity in net earnings (losses) during the year		**58,566**	55,407	(43,534)
Balances at end of year		**295,401**	201,749	146,342
Share in remeasurement gain on retirement benefits of associates and joint ventures:				
Balances at beginning of year		**4,135**	5,448	7,529
Share in remeasurement gain (loss) during the year		**5,195**	(1,313)	(2,081)
Balances at end of year		**9,330**	4,135	5,448
		₱334,365	₱285,518	₱231,424

**Includes share in cumulative translation adjustment when an associate changed its functional currency amounting to ₱5.3 million.*

In August 2022, the Group sold 100% of its shares in Mober for to ₱50.0 million, which is payable on installment basis. The downpayment of ₱10.0 million was paid in August 2022. The outstanding balance of ₱10.0 million is payable in August 2023; and ₱30.0 million plus 8% interest per annum is payable in August 2024, and are presented as part of "Trade and other receivables" and "Other noncurrent assets" in the consolidated statements of financial position, respectively.

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:

	MCCP		KLPI		Mober	
	2022	2021	**2022**	2021	**2022**	2021
			(In Thousands)			
As at December 31						
Current assets	**₱876,829**	₱379,413	**₱619,437**	₱527,833	**₱**	₱11,716
Noncurrent assets	**473,392**	435,922	**19,283**	31,167		6,712
Current liabilities	**620,440**	404,010	**366,543**	370,429		30,518
Noncurrent liabilities	**6,922**	490,588	**10,381**	9,257		1,418
Equity	**722,859**	324,747	**261,796**	179,315		(13,507)

Statements of comprehensive income:

	MCCP			KLPI			Mober		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
				(In Thousands)					
For the years ended December 31:									
Revenue from contracts with customers	**₱2,373,105**	₱1,784,761	₱1,292,484	**₱1,119,984**	₱911,813	₱868,085	**₱28,158**	₱15,992	₱59,762
Net income (loss)	**346,619**	105,030	(97,418)	**82,481**	57,367	42,078	**(1,533)**	(2,300)	(3,270)
Total comprehensive income (loss)	**346,619**	106,192	(98,129)	**82,481**	67,186	39,876	**(1,533)**	(2,300)	(3,270)

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		
	2022	2021	2020
		(In Thousands)	
Equity	**₱984,656**	₱499,742	₱346,062
Effective percentage of ownership	**33% to 78%**	33% to 78%	33% to 78%
Share in equity	**₱334,365**	₱285,518	₱231,424

**The Group effectively owns 33% of MCCP, 49% of KLI, and 78% of KLN and 50% of Mober. The Group sold its share in Mober in August 2022.*

13. Goodwill

Impairment Testing of Goodwill

As a result of a business combination in 2010, the Group carries goodwill totaling ₱686.9 million allocated to the shipping and non-shipping business amounting to ₱580.6 million and ₱106.3 million, respectively. 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 seven-year period for shipping and a five year period for non shipping.

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 travel and freight 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% in 2022 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 10.3% in 2022 and 9.7% in 2021.

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 seven-year period are extrapolated using a growth rate of 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:

Nonshipping revenue. Management projected nonshipping revenue in line with historical volume and rates.
Rates exclusive of VAT. Management expects an increase in nonshipping revenue rates by 3% in 2022 and in subsequent years based on the history of rate increases.
Cost of services. Management expects that the cost of services 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 13.0% in 2022 and 11.3% in 2021.

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 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 **2022**	2021
		(In Thousands)	
CWTs - net of current portion	*8*	**₱748,764**	₱
Software		**118,617**	137,175
Refundable deposits - net of current portion		**76,123**	77,021
Deferred input VAT		**32,306**	62,084
Others	*8, 12*	**30,000**	20
		1,005,810	276,300
Allowance for impairment		**(8,642)**	
		₱997,168	₱276,300

a. The movements in software are as follows:

	Note	**2022**	2021	2020
			December 31 *(In Thousands)*	
Cost				
Balances at beginning of year		**₱348,549**	₱345,448	₱297,050
Additions		**38,170**	15,311	70,972
Disposals/Retirement		**(21,962)**		(22,574)
Reclassification/adjustment			(12,210)	
Balances at end of year		**364,757**	348,549	345,448
Accumulated Amortization				
Balances at beginning of year		**211,374**	172,699	176,607
Amortization	*23*	**34,766**	38,675	18,666
Disposals/Retirement		**–**	–	(22,574)
Balances at end of year		**246,140**	211,374	172,699
Carrying Amount		**₱118,617**	₱137,175	₱172,749

Amortization was recognized and presented in the consolidated statements of profit or loss under "General and administrative expenses".

b. 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. In 2022, allowance for impairment amounting to ₱8.6 million was recognized and is presented as part of "Others" under "General and Administrative Expenses"

c. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.

d. Others pertain to the noncurrent portion of the long-term receivable arising from the sale of investment in Mober in 2022 (see Notes 8 and 12).

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 3.40% to 4.75% in 2022, 3.75% to 4.75% in 2021 and 3.85% to 4.75% in 2020. Total interest expense incurred by the Group for short-term notes payable was ₱131.1 million, ₱123.8 million and ₱145.2 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

16. Trade and Other Payables

	Note	December 31 **2022**	2021
		(In Thousands)	
Trade	*20*	**₱1,245,489**	₱798,269
Accruals:			
Expenses	*20*	**2,206,608**	2,308,592
Salaries and wages		**120,855**	106,714
Interest	*24*	**55,350**	54,748
Capital expenditure		**198,432**	67,708
Others		**142,327**	
Nontrade		**842,036**	654,124
Government payables		**78,286**	51,776
Contract liabilities		**35,827**	59,458
Other payables	*19,20*	**134,485**	68,596
		₱5,059,695	₱4,169,985

a. Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Trade payables from related parties are payable on demand.

b. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consist of security deposits, advances from principals and contractors, agencies and others.

d. Contract liabilities include advance payments received for services to be rendered. The outstanding balances of these accounts decreased in 2022 due to increase in service completion of freight cash transactions within the year. Set out below is the amount of revenue recognized from:

	December 31 **2022**	2021
	(In Thousands)	
Amounts included in contract liabilities at the beginning of the year	**₱59,458**	₱67,125

e. Other payables include provision for contingencies amounting to ₱41.7 million and ₱39.9 million as at December 31, 2022 and 2021, respectively (see Note 19).

17. **Long-term Debt**

Long-term debt consists of:

	Note	December 31 2022	2021
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*20*	**₱4,000,000**	₱4,000,000
Unamortized debt arrangement fees		**(5,200)**	(12,156)
		3,994,800	3,987,844
Current portion		**3,496,823**	
Noncurrent portion		**₱497,977**	₱3,987,844

BDO Term Loan Facility Agreements

a) On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO 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. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

b) On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate. The facility was fully drawn in April 2021.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, the second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Masagana with a carrying value of ₱702.1 million and ₱728.6 million as of December 31, 2022 and 2021, respectively.

In accordance with the term loan facility agreements, 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.

Interest rate is at ranging from 4.00% to 6.23%. The floating 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.

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱232.1 million, ₱224.2 million and ₱183.6 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

The Group paid ₱3.8 million, ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in April of years 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱7.0 million, ₱6.5 million and ₱5.4 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 24).

Compliance with debt covenants
At December 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022		December 31, 2021	
	Future Minimum Lease Payments	**Present Value of Minimum Lease payments**	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	**₱438,703**	**₱347,387**	₱162,453	₱141,557
Between one and five years	**1,297,383**	**1,139,609**	497,831	389,090
Between six and 10 years	**218,175**	**204,903**	79,257	108,918
	1,954,261	**1,691,899**	739,541	639,565
Interest component	**262,362**		99,976	
Present value	**₱1,691,899**	**₱1,691,899**	₱639,565	₱639,565

The interest expense recognized related to these leases amounted to ₱96.8 million, ₱49.1 million and ₱68.7 million for the years ended December 31, 2022, 2021 and 2020, 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, 2022, 2021 and 2020 in relation to the obligation under lease and the related right-of-use assets.

		Years Ended December 31		
	Note	**2022**	2021	2020
			(In Thousands)	
Depreciation expense of right-of-use assets	*11*	**₱392,461**	₱388,228	₱430,309
Interest expense on obligation under lease	*24*	**96,757**	49,101	75,948
Rent expense - short-term leases	*22,23*	**425,221**	329,734	276,332
Rent expense - low value assets	*22,23*	**5,456**	4,231	3,546
Gain on lease pre-termination	*24*	**–**	–	(14,581)
		₱919,895	₱771,294	₱771,554

The rollforward analysis of obligation under lease for the years ended December 31, 2022 and 2021 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	**2022**	2021	2020
Cost of services and goods sold	*22*	**₱786,857**	₱683,496	₱654,324
General and administrative expenses	*23*	**36,281**	38,464	40,738
Financing charges	*24*	**96,757**	49,101	68,682
Other operational expenses	*32*	**–**	–	11,895
Others - net		**–**	233	(4,085)
		₱919,895	₱771,294	₱771,554

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, 2022 and 2021 amounted to ₱41.7 million and ₱39.9 million as at December 31, 2022 and 2021, respectively, and are presented as part of "Other payables" under "Trade and other payables" in the consolidated statements of financial position (see Note 16). Provision for probable losses recognized in the consolidated statements of profit or loss amounted to ₱1.8 million and nil in 2022 and 2021, 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	SM Investments Corporation (SMIC)[(1)]
	Trident Investments Holdings Pte. Ltd.
Subsidiaries	2GO Express, Inc. (2GO Express or EXP)
	2GO Logistics, Inc. (2GO Logistics or 2GOLI)
	Scanasia Overseas, Inc. (SOI)
	2GO Land Transport, Inc. (2GO Land) [(2)]
	Special Container and Value Added Services, Inc. (SCVASI)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI) [(4)]
	2GO Rush, Inc. (Rush) [(4)]
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc. [(5)]
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)

(Forward)

Relationship	**Name**
Other Affiliated Companies [1]	BDO Unibank, Inc. *
	SM Mart, Inc. *
	Supervalue, Inc. *
	Super Shopping Market, Inc. *
	Goldilocks Bakeshop, Inc. *
	Sanford Marketing Corporation
	China Banking Corporation
	SM Development Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Homeworld Shopping Corporation
	Mindpro Retail Inc.
	Mini Depato Corp.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	Waltermart Supermarket, Inc.
	International Toyworld, Inc.
Other Affiliated Companies [6]	Chelsea Logistics and Infrastructure Holdings Corporation (Chelsea Logistics)[6]
	Phoenix Petroleum Philippines, Inc.
	PNX - Chelsea Shipping Corp.
	Chelsea Marine Power Resources, Inc.

[1] *SMIC became the Group's Parent Company as of June 3, 2021 (see Note 1). Trnsactions disclosed are for period starting Parent Company obtained control over the Group, except for the entities with *.*
[2] *Formerly WRR Trucking Corporation.*
[3] *Corporate life ended in 2021.*
[4] *Dormant companies.*
[5] *Sold in August 2022. Related party disclosure relates to the transactions until the date of sale.*
[6] *Affiliates of KGLI-NM which divested its ownership in 2Go at June 3, 2021 (see Note 1). Transactions disclosed are for the period up to the divestment.*

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		
	Nature	**2022**	2021	2020
			(In Thousands)	
Stockholders of the Company	Outside services	**(₱95,808)**	(₱90,342)	(₱50,253)
	Computer charges	**(22,581)**	(29,063)	–
	Personnel cost	**–**	(10,381)	–
	Other services	**–**	8,771	–
	Communication, light and water	**(1,016)**	(1,341)	–
	Freight revenue	**–**	399	–
	Transportation and delivery	**–**	(7)	–
	Co-loading	**–**	–	(114,462)
	Interest income	**–**	–	37,733
	Other expenses		(1,782)	–
Associates and joint venture	Freight revenue	**3,839**	1,322	5,900
	Freight expense	**(57,407)**	(63,615)	(48,912)
	Shared cost	**(4,183)**	(10,544)	
Other Affiliated Companies	Sale of goods		260,044	
	Freight revenue	**163,413**	140,180	7,790

(Forward)

	Nature	Years Ended December 31 2022	2021	2020
			(In Thousands)	
	Other services	**₱100,388**	₱46,895	₱
	Interest	**(189,707)**	(290,149)	(58,130)
	Food and beverage	**(150,798)**	(92,201)	(137,416)
	Rent	**(16,761)**	(17,510)	
	Transportation and delivery		(12,078)	
	Materials, parts and supplies	**(16,747)**	(11,958)	
	Outside services	**(363)**	(7,402)	(203,947)
	Interest income	**40**	2,603	
	Transportation and travel		(33)	
	Co-loading termination cost			(352,062)
	Fuel and lubricant			(302)
	Others - net	**9,161**	(1,016)	
Key Management Personnel	Short-term employee benefits	**(53,009)**	(58,423)	(59,343)
	Long-term employee benefits	**(15,008)**	(14,725)	(14,209)

The consolidated statements of financial position include the following amounts with respect to the balances with related parties:

	Financial Statement Account	Terms and Conditions	December 31 2022	2021
			(In Thousands)	
Stockholders of the Parent Company	Trade receivables	30 to 60 days; noninterest-bearing 5-year; interest-bearing	**₱**	₱53,999
	Trade payable	30 to 60 days; noninterest-bearing	**(33,121)**	–
	Accrued expenses	30 to 60 days; noninterest-bearing	**(19,139)**	–
Associates and joint venture	Trade receivables	30 to 60 days; noninterest-bearing		4,936
	Nontrade receivables	On demand; noninterest-bearing	**69,205**	100,692
	Trade payables	30 to 60 days; noninterest-bearing	**(1,100)**	(2,577)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(10,443)**	(4,500)
	Due to related parties	30 to 60 days; noninterest-bearing	**(9)**	(9)
Other Affiliated Companies	Short-term loan	See Note 15	**(339,000)**	(1,297,000)
	Long-term debt	See Note 17	**(3,994,800)**	(3,987,844)
	Cash in bank	On demand	**172,230**	480,244
	Nontrade receivables	On demand; noninterest-bearing	**71,879**	98,493
	Accrued expenses	30 to 60 days; noninterest-bearing	**(77,287)**	(1,311)
	Trade payables	30 to 60 days; noninterest-bearing	**(44,134)**	(66,242)

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.

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 SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.

The Company provides shared services to 2GO Express, SCVASI and SOI at fees based on agreed rates.

2GO Land provides trucking and management services to 2GO Express.

In 2021 and 2020, certain subsidiaries of the Group were deconsolidated as their corporate life ended during the year. The Group recognized a gain on cessation of business of subsidiaries amounting to ₱2.9 million in 2021 and ₱32.7 million in 2020 (see Notes 12 and 24).

In 2022, the Group sold its share in Mober and recognized gain amounting to ₱35.1 million (see Note 24).

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	2022	2021
			(In Thousands)	
2GO	SCVASI/EXP/2GOLI/SOI/HLP/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**₱3,248,201**	₱3,035,029
EXP	2GO/SCVASI/2GOLI/SOI/ 2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	**451,398**	371,674
SOI	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	**75,596**	67,794
2GOLI	2GO/SCVASI/EXP/SOI/2GO LAND	30 to 60 days; noninterest-bearing	**(290,987)**	(156,828)
SCVASI	2GO	30 to 60 days; noninterest-bearing	**37,272**	53,601
NLMHCI	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	**45,325**	47,823
USDI	2GO	30 to 60 days; noninterest-bearing	**16,076**	41,199
2GO Land	EXP/2GOLI	30 to 60 days; noninterest-bearing	**64,717**	37,406
AEWI	2GO	30 to 60 days; noninterest-bearing	**7,622**	7,622
NHTC	2GO	30 to 60 days; noninterest-bearing	**5,614**	5,614

21. **Equity**

a. Share Capital

Details of share capital as at December 31, 2022 and 2021 are as follows:

	Number of Shares	Amount
		(In Thousands)
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	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	Net issuance of common shares	1.00	16,009,916
			2,500,662,816
December 31, 2001	Treasury shares*	1.50	(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 5,109 and 5,106 equity holders as of December 31, 2022 and 2021, respectively.

b. Effective January 1, 2019, 2GO, as the surving entity of the merger, issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of Negros Navigation Co., Inc. (“NN”), former parent company and the absorbed company, 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 ₱1,003.8 million and ₱949.7 million as of December 31, 2022 and 2021, 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, deferred income tax assets and unrealized foreign exchange gain recognized as of December 31, 2022 and 2021.

22. Cost of Services and Goods Sold

This account consists of the following:

		Years Ended December 31		
	Note	**2022**	2021	2020
		(In Thousands)		
Cost of Services				
Transportation and delivery	*20*	**₱3,659,994**	₱2,290,768	₱2,812,218
Fuel, oil and lubricants	*9*	**2,787,563**	1,903,014	1,511,331
Outside services	*20*	**2,340,414**	1,851,558	1,898,105
Depreciation and amortization	*11*	**1,280,830**	1,369,850	1,723,466
Personnel costs	*25, 26*	**881,961**	894,833	924,710
Repairs and maintenance	*20*	**487,315**	254,705	215,431
Rent	*18*	**428,200**	329,247	273,537
Arrastre and stevedoring	*20*	**300,301**	192,498	160,816
Insurance		**232,647**	239,134	209,490
Food and beverage	*9*	**161,894**	42,664	94,577
Material and supplies used	*9*	**133,857**	126,978	113,908
Communication, light and water		**114,663**	110,459	120,643
Taxes and licenses		**92,601**	75,277	70,234
Travel expenses		**90,654**	73,728	
Food and subsistence		**61,087**	50,036	53,352
Concession expenses		**60,228**	57,642	55,641
Others		**113,686**	6,599	205,577
		13,227,895	9,868,990	10,443,036
Cost of Goods Sold	*9*	**4,267,990**	4,945,101	6,999,122
		₱17,495,885	₱14,814,091	₱17,442,158

Others include various expenses that are individually immaterial. Fuel, oil and lubricants in 2020 include the effect of cash flow hedge amounting to ₱57.1 million (nil in 2021 and 2022).

23. General and Administrative Expenses

This account consists of the following:

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Personnel costs	*25, 26*	**₱495,127**	₱458,799	₱436,311
Outside services	*20*	**101,037**	135,953	156,334
Depreciation and amortization	*11, 14*	**80,907**	83,303	70,661
Computer charges	*20*	**76,182**	107,444	53,616
Transportation and travel	*20*	**50,066**	36,396	38,350
Provision for ECL	*8*	**31,743**	382,114	40,828
Advertising and promotion		**25,427**	15,627	16,801
Communication, light and water		**25,266**	17,465	32,808
Repairs and maintenance	*20*	**14,463**	11,855	19,095
Termination cost		**12,332**		
Special projects		**11,850**	500	460
Input VAT expense		**10,454**	2,642	
Service fee		**9,136**	1,051	
Provision for impairment of asset		**8,647**		
Office supplies	*9*	**4,572**	2,073	7,673
Taxes and licenses		**2,828**	5,209	2,940
Entertainment, amusement and recreation		**2,712**	1,284	2,605
Rent	*18*	**2,477**	4,718	6,341
Inventory obsolescence	*9*	**2,432**	10,209	9,094
Provision for litigation	*19*	**1,804**		
Insurance		**530**	1,737	50
COVID-19 expenses			12,587	
Others	*8, 14*	**64,635**	53,333	3,400
		₱1,034,627	₱1,344,299	₱897,367

Others include various expenses that are individually immaterial such as food and subsistence and other corporate expenses (see Notes 8 and 14). In 2021, the balance include loss on write-off of investment property amounting to ₱49.8 million as the property is not currently being used in operations and the title to the property is subject to dispute.

24. Other Income (Charges)

<u>Financing Charges</u>

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Interest expense on:				
Short-term notes payable	*15*	**₱131,143**	₱123,756	₱145,163
Long-term debt	*17*	**232,130**	224,202	183,602
Amortization of:				
Obligations under lease	*18*	**96,757**	49,101	68,682
Debt transaction costs	*17*	**6,957**	6,514	5,427
Other financing charges		**22,821**	13,355	2,955
		₱489,808	₱416,928	₱405,829

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2022 and 2021 amounted to ₱55.3 million and ₱54.7 million, respectively (see Note 16).

Others - net

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Interest income	7, 8, 20	**₱1,695**	₱2,708	₱39,731
Gain (loss) on:				
Disposal of property and equipment	11	**11,290**	(36,614)	23,835
Cessation of business of subsidiaries	20	**–**	2,889	32,652
Disposal of an associate	20	**35,086**	–	–
Pre-termination of leases	18	**–**	–	4,084
Foreign exchange gains (losses)		**1,022**	(1,086)	(1,472)
Co-loading termination cost		–	–	(352,062)
Others - net		**14,768**	44,884	39,956
		₱63,861	₱12,781	(₱213,276)

During 2019, 2GO sold 100% of its shares in SFFC to Chelsea Logistics for ₱650.0 million, payable in 60 equal monthly installments for 6.5% per annum. This was fully settled in 2021. Interest income earned from this receivable amounted to ₱37.7 million in 2020 (nil in 2022 and 2021).

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.

During 2021, the Group sold two ROPAX vessels (see Note 11).

Others - net comprise of prompt payment discount and other items that are individually immaterial.

25. Personnel Costs

Details of personnel costs are as follows:

	Note	2022	2021	2020
		Years Ended December 31		
		(In Thousands)		
Salaries and wages		**₱1,143,042**	₱1,106,631	₱1,108,506
Retirement benefit cost	26	**87,939**	85,368	108,019
Other employee benefits		**146,107**	161,633	144,496
		₱1,377,088	₱1,353,632	₱1,361,021

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 expects to contribute ₱66.8 million to the retirement fund in 2022. 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:

		Years Ended December 31		
	Note	**2022**	2021	2020
Current service cost		**₱67,191**	₱66,346	₱88,483
Net interest cost		**20,748**	19,022	19,536
		₱87,939	₱85,368	₱108,019

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position as of December 31:

	2022		
	Defined Benefit Obligations	**Fair Value of Plan Assets**	**Accrued Retirement Benefits**
		(In Thousands)	
January 1	**₱519,631**	**(₱146,764)**	**₱372,867**
Net retirement benefits cost in profit or loss:			
Current service cost	**67,191**	–	**67,191**
Net interest cost	**28,192**	**(7,443)**	**20,748**
	95,383	**(7,443)**	**87,939**
Benefits paid from:			
Plan assets	**(85,578)**	**85,578**	–
Book reserve	**(670)**	–	**(670)**
	(86,248)	**85,578**	**(670)**
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	**(39,800)**	–	**(39,800)**
Experience adjustments	**(21,374)**	–	**(21,374)**
Return on plan assets	–	**9,817**	**9,817**
	(61,174)	**9,817**	**(51,357)**
Actual contributions	–	**(62,616)**	**(62,616)**
Reclassification/adjustment	**(1,263)**	–	**(1,263)**
December 31	**₱466,329**	**(₱121,428)**	**₱344,900**

	2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
January 1	₱690,875	(₱203,728)	₱487,147
Net retirement benefits cost in profit or loss:			
Current service cost	66,346	–	66,346
Net interest cost	26,709	(7,687)	19,022
	93,055	(7,687)	85,368
Benefits paid from:			
Plan assets	(76,878)	76,878	–
Book reserve	(863)	–	(863)
	(77,741)	76,878	(863)

(Forward)

	2021		
	Defined Benefit Obligations	Fair Value of Plan Assets	Accrued Retirement Benefits
		(In Thousands)	
Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:			
Financial assumptions	(₱222,294)	₱–	(₱222,294)
Demographic assumptions	(413)	–	(413)
Experience adjustments	36,149	–	36,149
Return on plan assets	–	10,115	10,115
	(186,558)	10,115	(176,443)
Actual contributions	–	(22,342)	(22,342)
December 31	₱519,631	(₱146,764)	₱372,867

The plan assets available for benefits are as follows:

	December 31	
	2022	2021
	(In Thousands)	
Cash and cash equivalents	**₱19**	₱571
Investments in government and other debt securities	**73,209**	88,128
Investments in unit investment trust fund (UITF)	**47,480**	57,517
Others	**720**	548
Fair value of plan assets	**₱121,428**	₱146,764

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, 2022 and 2021, 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.

	2022	2021
Discount rate	**5.12%-5.22%**	3.96% - 4.17%
Future salary increase	**4.50%**	6.00%
Turnover rate	**0.00% - 7.50%**	0.00% - 7.50%

As of December 31, 2022, the discount rate, future salary increase rate and turnover rate are 7.31% to 7.38%, 6.0%, 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, 2022 and 2021.

	Increase (Decrease)	Impact on Accrued Retirement Benefits 2022	2021
		(In Thousands)	
Discount rate	+1%	**(₱49,221)**	(₱57,867)
	-1%	**58,083**	68,911
Salary increase rate	+1%	**58,275**	68,650
	-1%	**(50,222)**	(58,710)

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 12.5 years and 14.3 years as of December 31, 2022 and 2021, respectively.

Maturity analysis of the benefit payments:

	2022	2021
	(In Thousands)	
Less than 5 years	**₱98,466**	₱100,479
5 years to 10 years	**386,231**	370,400
More than 10 years	**4,511,538**	3,313,954

27. Income Taxes

a. The components of provision for (benefit from) income tax are as follows:

	Years Ended December 31 2022	2021	2020
		(In Thousands)	
Current:			
RCIT	**₱50,614**	₱44,611	₱30,740
MCIT	**25,856**	11,982	33,008
Impact of CREATE in 2020	–	(10,927)	–
	76,470	45,666	63,748
Deferred	**(18,075)**	(10,808)	(44,550)
Impact of CREATE in 2020	–	9,054	–
	(18,075)	(1,754)	(44,550)
	₱58,395	₱43,912	₱19,198

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

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

Applying the Law, the Parent Company and subsidiaries are subjected to lower RCIT rate of 20% or 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Parent Company and subsidiaries' 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table on the previous page. The impact of the Law for the remeasurement of deferred income tax assets directly recognized to OCI amounted to ₱28.4 million.

b. The components of the Group's recognized net deferred income tax assets and liabilities are as follows:

	Years ended December 31	
	2022	2021
	(In Thousands)	
Directly recognized in profit or loss:		
Deferred income tax assets on:		
Accrued retirement benefits	**₱50,780**	₱44,541
Unamortized past service cost	**10,971**	9,712
Obligations under lease	**391,939**	145,162
Accruals and others	**8,128**	4,030
	461,818	203,445
Deferred income tax liabilities on:		
Right-of-use assets	**(379,462)**	(138,357)
Unamortized debt arrangement fees and other taxable temporary differences	**(2,235)**	(3,042)
	80,121	62,046
Directly recognized in OCI:		
Deferred income tax asset on remeasurement of retirement benefits cost	**20,545**	33,384
	₱100,666	₱95,430

Deferred income tax assets on obligations under lease and 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 (RR) No. 25-2020 implementing Section 4(b) 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

Year Incurred	Available Until	Amount	Applied	Expired	Balances as at December 31, 2022 Amount	Tax Effect
				(In Thousands)		
2021	2026	₱1,337,057	(₱70,006)	₱–	₱1,267,051	₱316,763
2020	2025	1,328,717	(37,936)	–	1,290,781	322,695
2019	2022	1,254,674	(713,082)	(541,592)	–	–
		₱3,920,448	(₱821,024)	(₱541,592)	₱2,557,832	₱639,458

Excess MCIT over RCIT

Year Incurred	Available Until	Amount	Applied	Expired	Balances as at December 31, 2022
			(In Thousands)		
2022	2025	₱25,855	₱	₱	₱25,855
2021	2024	11,326	–	–	11,326
2020	2023	26,411	–	–	26,411
2019	2022	13,379	(41)	(13,338)	–
		₱76,971	(₱41)	(₱13,338)	₱63,592

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 2022	2021
	(In Thousands)	
NOLCO	**₱2,557,832**	₱3,818,785
Excess of MCIT over RCIT	**63,592**	51,075
Accruals and provisions	**784,987**	691,116
Allowance for ECL	**518,883**	510,219
Allowance for inventory obsolescence	**7,256**	13,589
Allowance for cargo losses and damages	**233,738**	116,867
Accrued retirement	**56,430**	24,597
Obligation under lease	**80,244**	59,148
Others	**9,193**	989

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% in 2022 and 2021 and 30% in 2020 to the provision for income tax expense as shown in profit or loss is as follows:

	Years Ended December 31		
	2022	2021	2020
		(In Thousands)	
Tax effect of income (loss) at statutory rates	**₱92,582**	(₱274,759)	(₱547,062)
Income tax effects of:			
Movement in deductible temporary differences for which no deferred tax assets were recognized	**(19,566)**	321,117	563,082
Nondeductible expense	**3,868**	13,673	15,275
Interest income already subjected to final tax	**(90)**	(132)	(393)
Equity in net loss (earnings) of associates and gain on sale of associate	**(18,205)**	(13,852)	13,060
Impact of CREATE in 2020	–	(1,874)	–
Others	**(194)**	(261)	(24,764)
Provision for income tax	**₱58,395**	₱43,912	₱19,198

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Years ended December 31		
	2022	2021	2020
	(In Thousands, except weighted average number of common shares and loss per common shares)		
Net income (loss) for the year attributable to equity holders of the Parent Company	**₱308,833**	(₱1,144,160)	(₱1,842,670)
Weighted average number of common shares outstanding during the year	**2,462,146,316**	2,462,146,316	2,462,146,316
Income (Loss) per common share	**₱0.1254**	(₱0.4647)	(₱0.7484)

There are no potentially dilutive common shares as at December 31, 2022, 2021 and 2020.

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'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. The Group has concentration of credit risk given that majority of the Group's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Group is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Group does not have any significant credit risk exposure to other single counterparties. As of December 31, 2022 and 2021, the Group did not hold collateral from any counterparty.

The credit quality per class of financial assets that are current and neither past due nor impaired and contract assets is as follows:

December 31, 2022

	High	**Medium**	**Total**
		(In Thousands)	
Financial assets:			
Cash in banks	**₱685,860**	**₱–**	**₱ 685,860**
Cash equivalents	**11,639**	**–**	**11,639**
Trade receivables	**–**	**1,656,888**	**1,656,888**
Nontrade receivables	**–**	**70,453**	**70,453**
Advances to officers and employees*	**2,806**	**–**	**2,806**
Refundable deposits	**176,328**	**–**	**176,328**
Contract assets	**–**	**653,245**	**653,245**
Total	**₱876,633**	**₱2,380,586**	**₱3,257,219**

**Excluding advances amounting to ₱21.4 million subject to liquidation*

December 31, 2021

	High	Medium	Total
		(In Thousands)	
Financial assets:			
Cash in banks	₱607,232	₱–	₱607,232
Cash equivalents	16,463	–	16,463
Trade receivables	–	1,054,782	1,054,782
Nontrade receivables	–	87,838	87,838
Advances to officers and employees*	8,001	–	8,001
Refundable deposits	139,769	–	139,769
Contract assets	–	822,822	822,822
Total	₱771,465	₱1,965,442	₱2,736,907

**Excluding advances amounting to ₱18.9 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. 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 credit risk for refundable deposits is considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

The aging per class of financial assets, contract assets and expected credit loss are as follows:

		Past Due						
December 31, 2022	**Current**	**Less than 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**91 to 120 Days**	**Over 120 Days**	**Expected Credit Loss**	**Total**
				(In Thousands)				
Financial assets:								
Cash in banks	**₱685,860**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱685,860**
Cash equivalents	**11,639**	–	–	–	–	–	–	**11,639**
Trade receivables	**1,656,888**	**634,893**	**263,734**	**31,023**	**164,918**	**202,801**	**(435,327)**	**2,518,930**
Nontrade receivables[1]	**70,453**	**757**	**1,683**	**1,457**	**13,794**	**153,812**	**(34,790)**	**207,166**
Advances to officers and employees[2]	**2,806**	–	–	–	–	–	–	**2,806**
Refundable deposits	**176,328**	–	–	–	–	–	–	**176,328**
Contract assets	**653,245**	–	–	–	–	–	**(48,131)**	**605,114**
Total	**₱3,257,219**	**₱635,650**	**₱265,417**	**₱32,480**	**₱178,712**	**₱356,613**	**(₱518,248)**	**₱4,207,843**

(1)Excluding nonfinancial asset amounting to ₱119.8 million; including long-term receivable amounting to ₱30.0 million.
(2)Excluding advances amounting to ₱21.4 million subject to liquidation.

		Past Due						
December 31, 2021	Current	Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Expected Credit Loss	Total
				(In Thousands)				
Financial assets:								
Cash in banks	₱607,232	₱–	₱–	₱–	₱–	₱–	₱–	₱607,232
Cash equivalents	16,463	–	–	–	–	–	–	16,463
Trade receivables	1,054,782	492,396	151,868	81,487	110,191	162,629	(432,755)	1,620,598
Nontrade receivables[1]	87,838	16,430	4,636	4,205	2,838	267,617	(29,617)	353,947
Advances to officers and employees[2]	8,001	–	–	–	–	–	–	8,001
Refundable deposits	139,769	–	–	–	–	–	–	139,769
Contract assets	822,822	–	–	–	–	–	(47,847)	774,975
Total	₱2,736,907	₱508,826	₱156,504	₱85,692	₱113,029	₱430,246	(₱510,219)	₱3,520,985

(1)Excluding nonfinancial asset amounting to ₱104.5 million.
(2)Excluding advances amounting to ₱18.9 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, 2022			
	Less than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	**₱4,122,339**	**₱–**	**₱–**	**₱4,122,339**
Short-term notes payable	**2,306,000**	**–**	**–**	**2,306,000**
Long-term debt[2]	**3,500,000**	**500,000**	**–**	**4,000,000**
Obligations under lease[3]	**438,703**	**1,297,383**	**218,175**	**1,954,261**
	₱10,367,042	**₱1,797,383**	**₱218,175**	**₱12,382,600**
Financial and contract assets				
Cash and cash equivalents	**₱724,527**	**₱–**	**₱–**	**₱724,527**
Trade and other receivables[4]	**3,301,211**	**30,000**	**–**	**3,331,211**
Refundable deposits	**100,205**	**76,123**	**–**	**176,328**
	₱4,125,943	**₱106,123**	**₱–**	**₱4,232,066**

	December 31, 2021			
	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
		(In Thousands)		
Financial Liabilities				
Trade and other payables[1]	₱3,546,783	₱–	₱–	₱3,546,783
Short-term notes payable	3,106,000	–	–	3,106,000
Long-term debt[2]	–	4,000,000	–	4,000,000
Obligations under lease[3]	162,453	497,831	79,257	739,541
	₱6,815,236	₱4,497,831	₱79,257	₱11,392,324
Financial and contract assets				
Cash and cash equivalents	₱670,015	₱–	₱–	₱670,015
Trade and other receivables[4]	2,757,522	–	–	2,757,522
Refundable deposits	62,748	77,021	–	139,769
	₱3,490,285	₱77,021	₱–	₱3,567,306

[1]*Excludes nonfinancial liabilities amounting to ₱972.4 million and ₱623.2 million as of December 31, 2022 and 2021, respectively.*
[2]*Gross of unamortized debt arrangement fees amounting to ₱5.2 million and ₱12.2 million as of December 31, 2022 and 2021, respectively.*
[3]*Gross of interest component amounting to ₱262.4 million and ₱99.9 million as of December 31, 2022 and 2021, respectively.*
[4]*Excludes nonfinancial assets amounting to ₱141.2 million and ₱123.4 million as of December 31, 2022 and 2021, respectively, and includes long-term receivable amounting to ₱30.0 million.*

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 facilities, and additional capital contribution of the shareholders.

The undrawn loan commitments from credit facilities of the Group amounted to ₱1.1 billion and ₱4.6 billion as of December 31, 2022 and 2021, respectively.

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, 2022 and 2021 are as follows:

		December 31, 2022		December 31, 2021	
	Currency	**Amount in Original Currency**	**Total Peso Equivalent**	Amount in Original Currency	Total Peso Equivalent
			(In Thousands)		
Financial Assets					
Cash in banks	USD	**306**	**₱17,173**	565	₱28,685
Trade receivables	USD	**387**	**21,718**	332	16,856
Advances to supplier	USD			139	7,057
			38,891		52,598
Financial Liabilities					
Trade and other payables	USD	**257**	**₱14,423**	623	₱31,630
	JPY	**19,530**	**8,203**		
			22,626		34,322
Net foreign currency denominated assets (liabilities)	USD	**436**	**₱24,468**	413	₱20,968
	JPY	**(19,530)**	**(8,203)**		

USD 1 = ₱56.12 in December 2022 and ₱50.77 in 2021
JPY 1 = ₱0.42 in December 2022

The Group recognized foreign exchange gain (loss) amounting to ₱1.0 million, (₱1.1 million), and (₱1.5 million) for the years ended December 31, 2022, 2021 and 2020, 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, 2022, 2021 and 2020.

	Appreciation (Depreciation) of Foreign Currency	**Decrease (increase) in loss before tax** December 31 **2022**	2021	2020
			(In Thousands)	
US Dollar (USD)	1%	**(₱245)**	(₱210)	(₱11)
	(1%)	**245**	210	11
Japanese Yen (JPY)	1%	(1)		329
	(1%)	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 3.75% to 6.75% and 3.75% to 6.23% in 2022 and 2021, respectively.

The Group's ₱4.0 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱1.5 billion long-term debt which bear floating interest rates and exposes the Group to cash flow interest rate risk.

The table below sets forth the estimated change in the Group's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2022 and 2021, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of profit or loss.

	Decrease (increase) in loss before income tax	
	December 31	
	2022	2021
	(In Thousands)	
100 bp rise	**₱39,948**	₱39,878
100 bp fall	**(39,948)**	(39,878)
50 bp rise	**19,974**	19,939
50 bp fall	**(19,974)**	(19,939)

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 on August 13, 2019, 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.

In 2021, the Group discontinued the hedging instrument with a carrying amount of ₱0.2 million. The cumulative loss on the hedging instrument amounting ₱57.1 million that has been reported directly in equity is recognized in profit or loss.

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	
	2022	2021
Assets financed by:		
Creditors	**93%**	95%
Stockholders	**7%**	5%

As of December 31, 2022 and 2021, 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, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial Liabilities				
Long-term debts	**₱3,994,800**	**₱3,936,702**	₱3,987,844	₱4,155,983
Obligations under lease	**1,691,899**	**1,598,416**	639,565	658,436
	₱5,686,699	**₱5,535,118**	₱4,627,409	₱4,814,419

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 included under "Other current assets"
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Refundable deposits included under "Other noncurrent assets"
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.31% to 6.42% as the EIR. The computed fair value approximates the carrying amount of this account.

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.

Long-term debt
Discount rate of 6.9% and 5.4% was used in calculating the fair value of the long-term debt as of December 31, 2022 and 2021, 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 6.3% to 8.5% and 4.6% to 7.0% as of December 31, 2022 and 2021, respectively.

31. **Notes to Consolidated Statements of Cash Flows**

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2022:

	January 1, 2022	Cash Flows Availments	Cash Flows Payments	Net	Others	December 31, 2022
Short-term notes payable	**₱3,106,000**	**₱2,380,000**	**(₱3,180,000)**	**(800,000)**	**₱–**	**₱2,306,000**
Current portion of obligations under lease	**141,557**	–	**(348,512)**	**(348,512)**	**554,342**	**347,387**
Current portion of long-term debt	–	–	–	–	**3,496,823**	**3,496,823**
Noncurrent portion of long-term debt	**3,987,844**	–	–	–	**(3,489,867)**	**497,977**
Noncurrent portion of obligations under lease	**498,008**	–	–		**846,504**	**1,344,512**
Total liabilities from financing activities	**₱7,733,409**	**₱2,380,000**	**(₱3,528,512)**	**(₱1,148,512)**	**₱1,407,802**	**₱7,992,699**

For the Year Ended December 31, 2021:

	January 1, 2021	Cash Flows Availments	Cash Flows Payments	Net	Others	December 31, 2021
Short-term notes payable	₱2,163,500	₱2,811,000	(₱1,868,500)	₱942,500	₱–	₱3,106,000
Current portion of obligations under lease	372,669	–	(395,527)	(395,527)	164,415	141,557
Noncurrent portion of long-term debt	3,485,080	500,000	–	500,000	2,764	3,987,844
Noncurrent portion of obligations under lease	612,394		–		(114,386)	498,008
Total liabilities from financing activities	₱6,633,643	₱3,311,000	(₱2,264,027)	₱1,046,973	₱52,793	₱7,733,409

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time;
b. amortization of debt transaction costs capitalized amounting to ₱7.0 million and ₱6.5 million in 2022 and 2021, respectively;
c. payment of debt transaction cost amounting to nil and ₱3.8 million in 2022 and 2021, respectively;
d. availment of obligation under lease amounting to ₱1.4 billion and ₱49.8 million in 2022 and 2021, respectively;
e. amortization of obligation under lease, which was paid during the year and included in the "Interest and financing charges" in the consolidated statements of cash flows, amounting to ₱96.8 million in 2022 and ₱49.1 million in 2021; and
f. pre-termination of some obligation under lease amounting to nil in 2022 and ₱14.5 million in 2021.

32. Group Restructuring and Other Operational Expenses

During 2020, 2GO 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 in 2020 (nil in 2022 and 2021), and are presented as "Other operational expenses" in the consolidated statements of profit or loss.

33. Events Connected to the COVID-19 Pandemic and Events After Reporting Period

Events Connected to the COVID-19 Pandemic

Management continues to monitor, evaluate and respond to any continuing impacts of the COVID-19 situation in future reporting periods. 2GO has an established Business Continuity Implementation Plan to manage the risk of any potential disruption in operations that may eventually affect sales and place pressure on the deployment of certain assets.

Events After Reporting Period

On February 22, 2023, the BOD approved the merger of 2GO and its subsidiary, SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Group.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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**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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A and have issued our report thereon dated February 22, 2023. 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 Consolidated 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
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

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INDEPENDENT AUDITOR'S REPORT
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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 22, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 121479-SEC (Group A)
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BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 9369785, January 3, 2023, Makati City

February 22, 2023

2GO GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

2GO GROUP, INC.

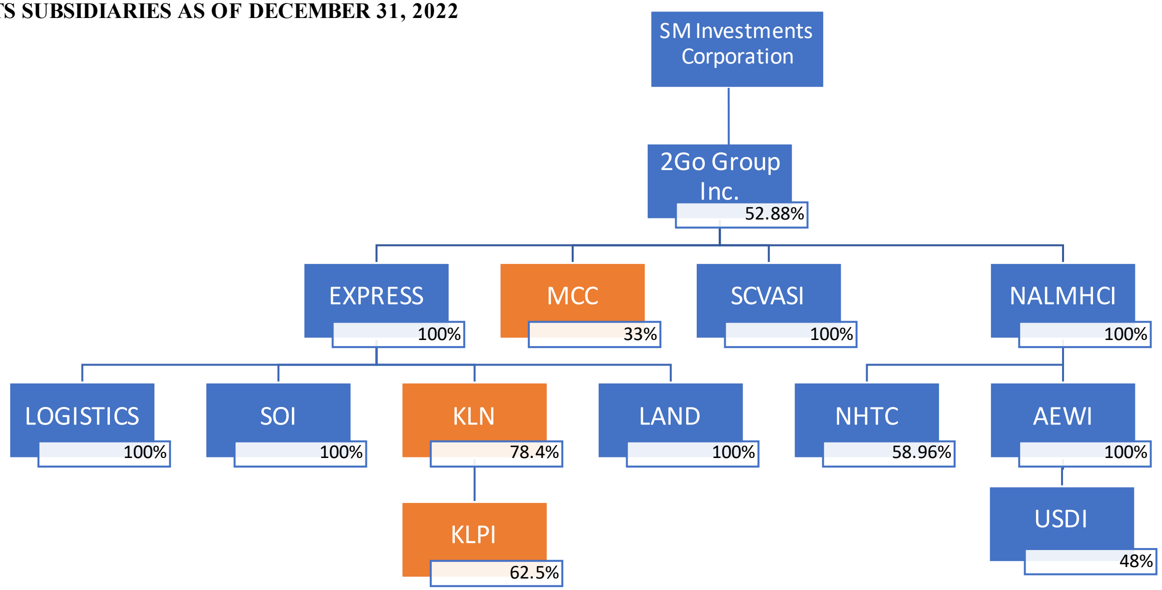
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2022

(Amounts in Thousands)

Deficit, beginning of the year		**(₱3,109,814)**
Less: Deferred income tax assets, beginning		**107,406**
Treasury shares		**58,715**
Unappropriated Deficit, *as adjusted to available for dividend distribution,* beginning		**(3,275,935)**
Add: Net loss actually earned/realized during the period		
Net income during the period closed to Deficit	465,433	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	115,532	
Sub-total	349,901	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
Net loss incurred during the period	349,901	**349,901**
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		**(₱2,926,034)**

2GO GROUP, INC. AND SUBSIDIARIES
ILLUSTRATION OF RELATIONSHIPS
BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2022
AS OF DECEMBER 31, 2022



Legend:

EXPRESS	*2GO Express, Inc.*	LAND	*2Go Land Transport (formerly WRR Trucking Corporation)*	AEWI	*Astir Engineering Works, Inc.*
LOGISTICS	*2GO Logistics, Inc.*	MCC	*MCCP Transport Philippines, Inc.*	USDI	*United South Dockhandlers, Inc.*
SOI	Scanasia Overseas, Inc.	SCVASI	*Special Container and Value Added Services, Inc.*		
KLN	*KLN Logistics Holdings Philippines, Inc.*	NALMHCI	*NN-ATS Logistics Management & Holding Co., Inc.*		
KLPI	*Kerry Logistics Philippines, Inc.*	NHTC	*North Harbor Tugs Corporation*		

Subsidiary
Joint Venture and Associate

Mober Technology PTE Inc. (MOBER) was sold in August 2022

2GO GROUP, INC. AND SUBSIDIARIES
Schedule A - Financial Assets
December 31, 2022
(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 the statement of financial position	Income received and accrued
Financial assets at amortized cost:			
Cash in banks and cash equivalents	₱	₱697,499	₱1,695
Trade and other receivables:			
Trade		2,518,930	
Nontrade (1)		177,166	
Advances to officers and employees (2)		2,806	
Refundable deposits		176,328	
Long-term receivables (3)		30,000	
	₱	**₱3,602,729**	**₱1,695**

(1) Excluding nonfinancial asset amounting to ₱119.8 million.
(2) Excluding advances amounting to ₱21.4 million subject to liquidation.
(3) Presented as part of "Other noncurrent assets" in the consolidated statements of financial position
Note: The Group does not have financial assets at fair value through profit or loss and at fair value through comprehensive income as at December 31, 2022.

2GO GROUP, INC. AND SUBSIDIARIES
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2022
(Amounts in thousands)

			Deductions				
Name & Designation of Debtor	**Balance at December 31, 2021**	**Additions**	**Amounts collected/liquidated**	**Amounts written off/offset**	**Current**	**Noncurrent**	**Balance at December 31, 2022**
Advances to officers and employees	₱26,918	₱177,920	(₱180,661)	₱–	₱24,177	₱–	₱24,177

2GO GROUP, INC. AND SUBSIDIARIES
Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statements
December 31, 2022
(Amounts in thousands)

Name and Designation of Debtor	Balance at December 31, 2021	Additions	Deductions: Amounts collected	Deductions: Amounts written-off	Current	Noncurrent	Balance at December 31, 2022
2GO Group, Inc.	₱107,217	₱–	(₱86,592)	₱–	₱20,625	₱–	₱20,625
2GO Express, Inc.	162,424	53,453	–	–	215,877	–	215,877
2GO Logistics, Inc.	1,703,217	261,024	–	–	1,964,241	–	1,964,241
Astir Engineering Works, Inc.	1,526	–	(1,526)	–	–	–	–
2GO Land Transport, Inc	141,374	–	(141,374)	–	–	–	–
North Harbor Tugs Corporation	418	–	(418)	–	–	–	–
Special Container and Value-Added Services, Inc.	92,787	77,609	–	–	170,396	–	170,396
Scanasia Overseas, Inc.	1,154,567	–	(149,723)	–	1,004,844	–	1,004,844
NN-ATS Logistics Management and Holdings Co., Inc.	146,809	–	(146,809)	–	–	–	–
United South Dockhandlers, Inc.	596	2,853	–	–	3,449	–	3,449
	₱3,510,935	**₱394,939**	**(₱526,442)**	**₱–**	**₱3,379,432**	**₱–**	**₱3,379,432**

2GO GROUP, INC. AND SUBSIDIARIES
Schedule D - Long-term debt
December 31, 2022
(Amounts in thousands)

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	Amount Shown Under Caption "Long-term debt" in Related Balance Sheet
BDO - Philippine Peso-denominated term loan	₱3,994,800	₱3,496,823	₱497,977

2GO GROUP, INC. AND SUBSIDIARIES
Schedule E - Indebtedness to Related Parties (Long-term loans from Related Companies)
December 31, 2022
(Amounts in thousands)

Name of related party	Balance at December 31, 2021	Balance at December 31, 2022
BDO Unibank, Inc.	₱3,987,844	₱3,994,800

2GO GROUP, INC. AND SUBSIDIARIES
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2022

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

Not applicable

2GO GROUP, INC. AND SUBSIDIARIES
Schedule G - Capital Stock
December 31, 2022

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 shared held by related parties	Directors, officers and employees	Others
Common shares	4,070,343,670	2,462,146,316	–	2,083,293,237	35,800	378,817,279
Preferred shares	4,564,330	–	–	–	–	–

2GO GROUP, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2022 AND 2021

(Amounts in Thousands, Except for Ratios)

Ratio	Formula			2022	2021
Current ratio	Total Current Assets Divided by Total Current Liabilities			**0.59**	0.89
	Total Current Assets		6,624,241		
	Divided by: Total Current Liabilities		11,209,905		
	Current Ratio		0.59		
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities			**0.37**	0.48
	Total Current Assets		6,624,241		
	Less: Inventories		(512,773)		
	Other current assets		(1,944,556)		
	Quick assets		4,166,912		
	Divided by: Total Current Liabilities		11,209,905		
	Acid test ratio		0.37		
Solvency ratio	Net income (loss) before Depreciation & Amortization (Net income from operations plus depreciation and amortization) divided by Interest Bearing Debt			**0.26**	0.04
	Net income (loss) from operations		311,933		
	Add: Depreciation & Amortization		1,361,737		
	Net income (loss) before depreciation & Amortization		1,673,670		
	Short Term Notes	2,306,000			
	Long Term Notes	3,994,800			
	Obligations under finance lease	59,734			
	Divided by: Interest Bearing Debt		6,360,534		
	Solvency Ratio		0.26		

Ratio	Formula		2022	2021
Debt-to-equity ratio	Total Liabilities divided by Total Stockholders' Equity		**13.47**	19.22
	Total Liabilities	13,397,294		
	Divided by: Total Stockholders' Equity	994,600		
	Debt-to-equity ratio	13.47		
Asset-to-equity ratio	Total Assets divided by Total Stockholders' Equity		**14.47**	20.22
	Total Assets	14,391,894		
	Divided by: Total Stockholders' Equity	994,600		
	Asset-to-equity ratio	14.47		
Interest rate coverage ratio	Earnings (Loss) from before interest & tax divided by interest expense		**1.76**	(1.64)
	Earnings (Loss) from operations before interest and income tax	858,441		
	Divided by: Interest expense	489,808		
	Interest rate coverage ratio	1.76		
Return on equity	Net income (loss) from operations divided by Average Total Stockholders' Equity		**0.38**	(0.99)
	Net income (loss) from operations	311,933		
	Divided by: Average Total Stockholders' Equity	816,777		
	Return on equity ratio	0.38		
Return on assets	Net income (loss) from operations divided by Average Total Assets		**0.02**	(0.08)
	Net income (loss) from operations	311,933		
	Divided by: Average Total Assets	13,655,308		
	Return on assets	0.02		
Net profit margin	Net income (loss) from operations divided by Total Revenue		**0.02**	(0.07)
	Net income (loss) from operations	311,933		
	Divided by: Total Revenue	19,268,221		
	Net profit margin	0.02		