

COVER SHEET

for

SEC FORM 20-IS

SEC Registration Number

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Company Name

[illegible]

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

[illegible]

Form Type

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Department requiring the report

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Secondary License Type, If
Applicable

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COMPANY INFORMATION

Company's Email Address

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Company's Telephone
Number/s

(02) 8528-7171

Mobile Number

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No. of Stockholders

| |
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Annual Meeting
Month/Day

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Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Elmer B. Serrano

Email Address

elmer.serrano@serranolawph.com

Telephone Number/s

+632-8479-2190

Mobile Number

| |
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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.



NOTICE OF SPECIAL STOCKHOLDERS' MEETING

To all Stockholders:

The special meeting of the stockholders of **2GO GROUP, INC. (2GO)** will be held on **November 6, 2023, Monday at 10:00 A.M.** The meeting will be conducted virtually and voting conducted *in absentia*.

Agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Amendment of the Seventh Article of the Articles of Incorporation to:
 - a. re-classify 330 redeemable preferred shares into common shares; and
 - b. increase the par value of common shares from Php1.00 to Php1,000.00 per share
4. Reduction of the number of directors from nine to six and corresponding amendments to the Sixth Article of the Articles of Incorporation and Section 2, Article IV of the By-Laws
5. Delegation of authority to the Board of Directors to amend the By-Laws
6. Other Matters
7. Adjournment

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

The Board of Directors has fixed **September 25, 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 special meeting will be streamed live, and stockholders may attend the meeting and cast their votes *in absentia* by notifying the Office of Corporate Secretary via email to corporatesecretary@2go.com.ph and submitting the supporting documents listed in Schedule A in "**Guidelines for Participation via Remote Communication and Voting in Absentia**" until **October 27, 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 **October 27, 2023** via email to corporatesecretary@2go.com.ph.

Stockholders who successfully registered shall be provided with the ballot so they can cast their votes *in absentia* and submit via email to corporatesecretary@2go.com.ph on or before November 3, 2023. In order to participate at the special meeting, registered shareholders will also be provided with access to the meeting that will be held virtually. The "**Guidelines for Participation via Remote Communication and Voting in Absentia**" as appended to the Definitive Information Statement labeled as **Schedule A** will be posted in 2GO's website www.2go.com.ph/ssm.

Bonifacio Global City, Taguig City, 10 October 2023.



ELMER B. SERRANO
Corporate Secretary

Annex A
Rationale for Agenda Items

Agenda Item 3: Approval of the Amendment of the Seventh Article of the Articles of Incorporation

2GO's proposed amendment of Article VII of the Articles of Incorporation involves (a) reclassification of 330 redeemable preferred shares into common shares, and (b) increase in the par value of the common shares from One Peso (P1.00) to One Thousand Pesos (P1,000.00).

The reclassification of 330 redeemable preferred shares into common shares and increase in par value of the common shares result in a change in the breakdown of the authorized capital stock of the Corporation from Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share, to Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares with a par value of One Thousand Pesos (P1,000.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand Thirty (4,564,000) redeemable preferred shares with a par value of One Peso (P1.00) per share.

Agenda Item 4: Approval to reduce the number of directors of 2GO from nine to six by amending the Sixth Article of the Articles of Incorporation and Section 2, Article IV of the By-Laws

The Sixth Article of the Articles of Incorporation of the Corporation is proposed to be amended to reduce the number of directors of 2GO from nine to six, while Section 2, Article IV of the By-Laws is proposed to be amended to remove reference to the number of directors.

Agenda Item 5: Approval of the delegation to the Board of Directors of the authority to amend the By-Laws

The affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company is required to approve the delegation to the Board of Directors the power to amend the By-Laws. In accordance with Section 47 of the RCC, the owners of two-thirds (2/3) of the outstanding capital stock of a corporation may delegate to the board of directors the power to amend or repeal the by-laws or adopt new by-laws.

The delegation to the Board of the power to amend the By-Laws is to heighten 2GO's adaptability and flexibility and to develop efficiencies and economies within 2GO.



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 Special Meeting of Stockholders of 2GO on November 6, 2023 and at any of the adjournments thereof for the purpose of acting on the following matters:

| # | Agenda | Item for Approval | Vote | |
|---|--|---|------|----|
| | | | Yes | No |
| 3 | Seventh Article of the Articles of Incorporation | a. RECLASSIFICATION OF 330 REDEEMABLE PREFERRED SHARES INTO COMMON SHARES; AND b. INCREASE IN PAR VALUE OF COMMON SHARES FROM PHP1.00 TO PHP1,000.00 PER SHARE SEVENTH: Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares with a par value of One Thousand Pesos (P1,000.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand Thirty (4,564,000) redeemable preferred shares with a par value of One Peso (P1.00) per share | | |
| 4 | Sixth Article of the Articles of Incorporation | REDUCTION OF NUMBER OF DIRECTORS FROM NINE (9) TO SIX (6) SIXTH: That the number of directors of said corporation shall be six (6) x x x | | |
| | Section 2, Article IV of the By-Laws | Section 2. NUMBER AND TERMS OF OFFICE. The business and property of the Corporation shall be managed by the Board of Directors who shall be stockholders [...] | | |
| 5 | N/A | DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS AMEND THE BY-LAWS OF 2GO IN ACCORDANCE WITH SECTION 47 OF THE REVISED CORPORATION CODE | | |

Printed Name of Stockholder

Email Address of Stockholder

Printed Name of authorized representative / proxy (if applicable)

No. of Share/s Owned

Signature of Stockholder /
Authorized Signatory

Date

THE PROXY SHOULD BE SUBMITTED TO THE OFFICE OF THE CORPORATE SECRETARY VIA EMAIL NO LATER THAN **OCTOBER 27, 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 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.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. **2GO Group, Inc.**
Name of the Registrant as specified in its charter
3. **Philippines**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **4409**
5. BIR Tax Identification Code **000-313-401-000**
6. **8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City**
Address of principal office Postal Code **1302**
7. **(02) 8528-7171**
Registrant's telephone numbers, including area code
8. **November 6, 2023, 10:00 a.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
October 11, 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 [] NO [X]
If yes, disclose the name of such Stock Exchange and the class of securities therein:

**The meeting link will be e-mailed to successful registrants.*

PART I
INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

| | | |
|---|---|---|
| Date of meeting | : | November 6, 2023 |
| Time of meeting | : | 10:00 a.m. |
| Place of meeting | : | The special meeting will be conducted virtually from 2GO's offices located in the 8 th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City. |
| Approximate date of mailing of this Statement | : | October 11 , 2023 |
| Registrant's Mailing Address | : | 8 th Floor, Tower 1, Double Dragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City |

Statement that Company Not Soliciting Proxies

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

Voting Securities

The record date for purposes of determining the stockholders of **2GO Group, Inc. (2GO or the Group or the Company)** entitled to notice of, and to vote, during the Special Stockholders' Meeting is September 25, 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, the Special 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/ssm. The Company will record the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its meeting held on October 3, 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 via email to corporatesecretary@2go.com.ph on or before **October 27, 2023 (Friday)**, 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 likewise be through the submission of the filled up ballot/proxy via email to corporatesecretary@2go.com.ph on or before November 3, 2023.

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

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

There is nothing in the proposed agenda that Management understands to involve the above matters that may give rise to the exercise of appraisal right.

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

No current director or officer 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.

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 September 25, 2023, with foreign ownership equivalent to 781,722,735 or 31.26% of 2GO's outstanding capital stock. Each common share shall be entitled to one vote with respect to all matters to be voted upon.
- (2) The record date for determining stockholders entitled to notice and to vote on the matter and also to this information statement is **September 25, 2023**.
- (3) 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 September 25, 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 | 1,654,861,652 | 67.21% |
| Common | Trident Investments Holdings Pte. 138 Robinson Road, #12-01 Oxley Tower, Singapore | - Same - | Singaporean | 781,122,265 | 31.24% |

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 September 25, 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 (D) | Voting | 0.00% |
| Common | Sing Mein Ang Director | Singaporean | 100 (D) | Voting | 0.00% |
| Common | Stephen Ly Director | Australian | 100 (D) | Voting | 0.00% |
| Common | Laurito E. Serrano Independent Director | Filipino | 100 (D) | Voting | 0.00% |
| Common | Paquito N. Ochoa, Jr. Independent Director | Filipino | 100 (D) | Voting | 0.00% |
| Common | Jesus G. Dureza Independent Director | Filipino | 100 (D) | Voting | 0.00% |

Security Ownership of the Directors and Officers in 2GO: Common is 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 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.

During the Tender Offer Period, a total of 352,690,680 common shares or approximately 14.32% of the total issued and outstanding common shares of 2GO were tendered and accepted by SMIC. The accepted Tender Offer Shares were crossed through the PSE on May 5, 2023 (Cross Date). The tendered shares were purchased by SMIC at the Tender Offer Price, or for a total consideration of Five Billion One Hundred Sixty-Three Million Three Hundred Ninety-One Thousand, Five Hundred Fifty-Five and 20/100 Pesos (Php5,163,391,555.20). The sale and purchase of the tendered shares were settled no later than May 10, 2023.

As a result, SMIC and Trident Investments Holdings Pte. Ltd. (**Trident**) now own over 95% of the outstanding common stock of 2GO. In particular, SMIC and Trident own a total of 2,435,983,917 common shares or 98.94% of the total outstanding common stock of 2GO, with SMIC owning 1,654,861,652 common shares or 67.21% of the total outstanding common stock of 2GO and Trident owning 781,122,265 common shares or 31.73% of the total outstanding common stock of 2GO.

Following the successful tender offer, The Philippine Stock Exchange, Inc. approved the Petition for Voluntary Delisting of 2GO, effective July 17, 2023.

Item 5. Directors and Executive Officers

No action will be taken with respect to the election of directors.

Item 6. Compensation of Directors and Executive Officers

No action will be taken with respect to:

- (a) the election of directors;
- (b) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate;
- (c) any pension or retirement plan in which any such person will participate; or
- (d) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis. However, if the solicitation is made on behalf of persons other than the registrant, the information required need be furnished only the nominees of the persons making the solicitation and associates of such nominees.

Item 7. Independent Public Accountants

No action will be taken with respect to any plan pursuant to the election, approval or ratification of Independent Public Accountants.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

2GO's proposed amendment of Article VII of the Articles of Incorporation is to (a) reclassify 330 redeemable preferred shares into common shares, and (b) increase the par value of 2GO's common shares from One Peso (P1.00) to One Thousand Pesos (P1,000.00).

This reclassification of 330 redeemable preferred shares into common shares and then increase in par value of the common shares will result in a change in the breakdown of the authorized capital stock of the Corporation from Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share, to Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares with a par value of One Thousand Pesos (P1,000.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand Thirty (4,564,000) redeemable preferred shares with a par value of One Peso (P1.00) per share.

The Company is seeking approval of the increase in par value of its common shares as a natural consequence of the Company's delisting from The Philippine Stock Exchange, Inc. in line with its plan to go private. The change in par value is intended to reduce the stockholders holding at least 100 shares each to below 100 to remove 2GO from the classification as a public and reporting company as provided in the Securities Regulation Code.

The Corporation likewise seeks approval of the reclassification of 330 redeemable preferred shares to avoid any change in the Company's authorized capital stock resulting from the increase in par value of common shares. The reclassification and increase in par value will not have an effect on the total authorized capital stock of 2GO.

Item 11. Financial and Other Information

A copy of the Quarterly Report of the Company on SEC Form 17-Q for the period ended June 30, 2023 submitted to the SEC is incorporated herein by reference.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented to be voted upon which involves the following:

- (a) the merger or consolidation of the registrant into or with any other person or of any other person into or with the registrant;
- (b) the acquisition by the registrant or any of its security holders of securities of another person;
- (c) the acquisition by the registrant of any other going business or of the assets thereof;
- (d) the sale or other transfer of all or any substantial part of the assets of the registrant; or
- (e) the liquidation or dissolution of the registrant,

Item 13. Acquisition or Disposition of Property

No action will be presented to be voted upon which involves the acquisition or disposition of any property.

Item 14. Restatement of Accounts

No action will be presented to be voted upon which involves the restatement of any of the Company's assets, capital or surplus account.

D. OTHER MATTERS

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

No action will be presented to be voted upon which involves the any action with respect to Reports.

Item 16. **Matters Not Required to be Submitted**

All corporate actions to be voted upon 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**

Shareholders will be asked to approve and ratify the following acts of the Board of Directors:

1. Amendment of the Seventh Article of the Articles of Incorporation to:

- (a) reclassify 330 redeemable preferred shares into common shares; and
- (b) increase the par value of 2GO's common shares from One Peso (P1.00) to One Thousand Pesos (P1,000.00)

which will result in a change in the breakdown of the authorized capital stock of the Corporation from Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share, to Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares with a par value of One Thousand Pesos (P1,000.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand (4,564,000) redeemable preferred shares with a par value of One Peso (P1.00) per share.

The amended Seventh Article of the Articles of Incorporation is proposed to read as follows:

| Current | Proposed Amendment | Rationale |
|--|--|--|
| "SEVENTH: That the authorized capital stock of the Corporation is Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and, (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share. [...]" | "SEVENTH: That the authorized capital stock of the Corporation is Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) <u>Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares</u> with a par value of <u>One Thousand Pesos (P1,000)</u> per share and, b) <u>Four Million Five Hundred Sixty-Four Thousand (4,564,000)</u> redeemable preferred shares with a par value of One Peso (P1.00) per share. [...]" | The Company is seeking approval of the increase in par value of its common shares as a natural consequence of the Company's delisting from The Philippine Stock Exchange, Inc. in line with its plan to go private. The change in par value is intended to reduce the stockholders holding at least 100 shares each to below 100 to remove 2GO from the classification as a public and reporting company as provided in the Securities Regulation Code. In addition, the Corporation likewise seeks approval of the reclassification of 330 redeemable preferred shares to avoid any change in the Company's authorized capital stock resulting from the increase in par value of common shares. |

2. Amendment to reduce the number of directors of 2GO from nine to six, as follows:

| Provision | Current Provision | Proposed Amendment | Rationale |
|-----------|-------------------|--------------------|-----------|
|-----------|-------------------|--------------------|-----------|

| | | | |
|--|---|---|---|
| Sixth Article of the Articles of Incorporation | SIXTH: That the number of directors of said corporation shall be nine (9) x x x | SIXTH: That the number of directors of said corporation shall be <u>six (6)</u> x x x | This is part of the transition of the Company to a private company, with a leaner membership in the board of directors. |
| Section 2, Article IV of the By-Laws | Section 2. NUMBER AND TERMS OF OFFICE. The business and property of the Corporation shall be managed by a Board of nine (9) Directors who shall be stockholders [...] | Section 2. NUMBER AND TERMS OF OFFICE. The business and property of the Corporation shall be managed by <u>the Board of Directors</u> who shall be stockholders [...] | |

Item 18. Other Proposed Actions

The affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Company shall also be sought to approve the delegation to the Company's Board of Directors the power to amend the bylaws. In accordance with Section 47 of the RCC, the owners of two-thirds (2/3) of the outstanding capital stock of a corporation may delegate to the board of directors the power to amend or repeal the by-laws or adopt new by-laws.

The delegation to the Board of the power to amend the By-Laws is to heighten the Company's adaptability and flexibility and to develop efficiencies and economies within the Company.

Item 19. Voting Procedures

(a) Vote Requirement

The affirmative vote of stockholders of 2GO representing at least two-thirds (2/3) of the outstanding capital stock of the Company is required in accordance with Sections 15 and 47 of the Revised Corporation Code to approve the amendment of the Sixth and Seventh Articles of the Articles of Incorporation and the delegation to the 2GO board of directors the power to amend or repeal the By-laws of 2GO, while the affirmative vote of stockholders of 2GO representing at least majority of the outstanding capital stock of the Company is required in accordance with Section 47 of the RCC to approve the amendment of Section 2, Article IV of the By-Laws of the Company.

(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 Special 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 Special Stockholder's meeting via remote communication and to vote in absentia, duly verified and validated by the Company, shall be provided with the ballot for voting which must then be submitted to the Corporate Secretary at corporatesecretary@2go.com.ph on or before November 3, 2023.

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

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.

COPIES OF THE COMPANY'S SEC FORM 17-Q (QUARTERLY REPORT) FOR THE PERIOD ENDED JUNE 30, 2023 MAY BE ACCESSED BY THE STOCKHOLDERS AT www.2go.com.ph/.

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 Oct 10 2023



Elmer B. Serrano
Corporate Secretary

2GO GROUP, INC.
SPECIAL STOCKHOLDERS' MEETING
November 6, 2023 at 10:00 a.m.

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

The Special Stockholders' Meeting (**SSM**) of 2GO Group, Inc. (**2GO** or the **Company**) is scheduled on **November 6, 2023, Monday, at 10:00 a.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 SSM 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 SSM via remote communications and to exercise their right to vote in absentia by no later than **October 27, 2023** by registering via email to corporatesecretary@2go.com.ph and by submitting 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 SSM
 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

| |
|---|
| <p>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.</p> |
|---|

Online Voting

Stockholders who have successfully registered shall be notified via email and will be provided a ballot, which must be filled-up and submitted via email to corporatesecretary@2go.com.ph on or before November 3, 2023.

SSM Livestream

The SSM 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/ssm.

Video recordings of the SSM 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 "SSM 2023 Open Forum" to corporatesecretary@2go.com.ph on or before November 3, 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 corporatesecretary@2go.com.ph.

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

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

| | | | | | | | | | |
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COMPANY INFORMATION

investor_relations@2go.com.ph

(02) 8554-8777

| | |
|--|-----|
| | N/A |
|--|-----|

| |
|---------------------|
| <p>5,082</p> |
|---------------------|

4th Thursday of May

December 31

| |
|-----------------------------------|
| CONTACT PERSON INFORMATION |
|-----------------------------------|

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

[illegible]

**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-out. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2023
2. Commission identification number 4409 3. BIR Tax Identification No. 000-313-401-000
4. Exact name of issuer as specified in its charter 2GO Group, Inc.
5. Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. 8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City
Address of issuer's principal office Postal Code 1302
8. (02) 8528-7171
Issuer's telephone number, including area code

N/A

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| Common Stock | 2,462,146,316 shares |
| Total Liabilities as of 30 June 2023 | Php 12,711,619,000.00 |

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No [X]*

**Delisted as of filing of this Quarterly Report.*

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

N/A

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

DOCUMENTS INCORPORATED BY REFERENCE

13. The following documents are incorporated in the report and referenced as follows:

- (i) 2GO Group, Inc.'s Unaudited Interim Condensed Consolidated Financial Statements as of June 30, 2023 and December 31, 2022 and for the Six Months Ended June 30, 2023 and 2022; and
- (ii) Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached.

PART II OTHER INFORMATION

None.

2GO Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of June 30, 2023 and December 31, 2022
and For the Six Months Ended June 30, 2023 and 2022

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2023 AND DECEMBER 31, 2022

(Amounts in Thousands)

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|-------------|--------------------------------------|--|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | ₱973,246 | ₱724,527 |
| Trade and other receivables | 8, 17, 20 | 3,065,521 | 3,583,819 |
| Inventories | 9 | 531,134 | 512,773 |
| Other current assets | 10 | 2,170,231 | 1,944,556 |
| Total Current Assets | | 6,740,132 | 6,765,675 |
| Noncurrent Assets | | | |
| Property and equipment | 11, 17, 18 | 5,286,035 | 5,648,558 |
| Investments in associates and joint ventures | 12 | 343,910 | 334,365 |
| Goodwill | 13 | 686,896 | 686,896 |
| Deferred income tax assets | 27 | 105,243 | 100,666 |
| Other noncurrent assets | 14 | 984,941 | 997,168 |
| Total Noncurrent Assets | | 7,407,025 | 7,767,653 |
| TOTAL ASSETS | | ₱14,147,157 | ₱14,533,328 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Short-term notes payable | 15 | ₱1,806,000 | ₱2,306,000 |
| Trade and other payables | 16, 19, 20 | 5,318,379 | 5,201,129 |
| Obligations under lease - current portion | 11, 18 | 319,494 | 347,387 |
| Long-term debt - current portion | 11, 17 | 333,023 | 3,496,823 |
| Total Current Liabilities | | 7,776,896 | 11,351,339 |
| Noncurrent Liabilities | | | |
| Noncurrent portion of: | | | |
| Long-term debt | 17 | 3,541,229 | 497,977 |
| Obligations under lease | 11, 18 | 1,010,766 | 1,344,512 |
| Accrued retirement benefits | 26 | 382,728 | 344,900 |
| Total Noncurrent Liabilities | | 4,934,723 | 2,187,389 |
| Total Liabilities | | ₱12,711,619 | ₱13,538,728 |

(Forward)

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|-------------|--------------------------------------|--|
| Equity | <i>21</i> | | |
| 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 | | (58,217) | (60,381) |
| Deficit | | (4,228,812) | (4,662,088) |
| Treasury shares | | (58,715) | (58,715) |
| Equity Attributable to Equity Holders of the Parent Company | | 1,365,785 | 930,345 |
| Non-controlling Interests | | 69,753 | 64,255 |
| Total Equity | | 1,435,538 | 994,600 |
| TOTAL LIABILITIES AND EQUITY | | ₱14,147,157 | ₱14,533,328 |

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Amounts in Thousands, Except for Earnings Per Common Share)

| | | Six Months Ended June 30 | | Three Months Ended June 30 | |
|---|------|--------------------------|------------|----------------------------|------------|
| | Note | 2023 | 2022 | 2023 | 2022 |
| REVENUES FROM CONTRACTS | | | | | |
| WITH CUSTOMERS | 5,20 | | | | |
| Shipping | | | | | |
| Freight | | ₱3,272,778 | ₱2,440,879 | ₱1,739,255 | ₱1,319,046 |
| Travel | | 1,076,940 | 565,758 | 593,647 | 364,405 |
| Nonshipping: | | | | | |
| Logistics and other services | | 3,267,799 | 3,521,366 | 1,608,589 | 1,861,304 |
| Sale of goods | | 2,246,159 | 2,170,344 | 817,256 | 1,162,686 |
| | | 9,863,676 | 8,698,347 | 4,758,747 | 4,707,441 |
| COST OF SERVICES AND GOODS | | | | | |
| SOLD | 22 | 8,690,724 | 7,935,772 | 4,164,703 | 4,280,016 |
| GROSS PROFIT | | 1,172,952 | 762,575 | 594,044 | 427,425 |
| GENERAL AND | | | | | |
| ADMINISTRATIVE EXPENSES | 23 | 464,603 | 445,580 | 204,144 | 202,578 |
| OPERATING INCOME | | 708,349 | 316,995 | 389,900 | 224,847 |
| OTHER INCOME (CHARGES) | | | | | |
| Equity in net income of associates and joint ventures | 12 | 7,381 | 5,100 | 4,981 | 3,897 |
| Financing charges | 24 | (252,516) | (228,880) | (127,337) | (114,289) |
| Others – net | 24 | 7,599 | 7,534 | 2,721 | 3,689 |
| | | (237,536) | (216,246) | (119,635) | (106,703) |
| INCOME BEFORE INCOME TAX | | 470,813 | 100,749 | 270,265 | 118,144 |
| PROVISION FOR INCOME TAX | 27 | | | | |
| Current | | 36,617 | 29,918 | 19,191 | 10,568 |
| Deferred | | (4,578) | (3,375) | 2,395 | (1,134) |
| | | 32,039 | 26,543 | 21,586 | 9,434 |
| NET INCOME | | ₱438,774 | ₱74,206 | 248,679 | 108,710 |
| Net Income attributable to: | | | | | |
| Equity holders of the Parent Company | | ₱433,276 | ₱73,239 | ₱246,447 | ₱108,139 |
| Non-controlling interests | | 5,498 | 967 | 2,232 | 571 |
| | | ₱438,774 | ₱74,206 | ₱248,679 | ₱108,710 |
| Basic/Diluted Income Per Share | 28 | ₱0.1760 | ₱0.0297 | ₱0.1001 | ₱0.0439 |

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(Amounts in Thousands)

| | | Six Months Ended June 30 | Three Months Ended June 30 | | |
|---|-------------|--------------------------|----------------------------|-----------------|-----------------|
| | <i>Note</i> | 2023 | 2022 | 2023 | 2022 |
| NET INCOME | | ₱438,774 | ₱74,206 | ₱248,679 | ₱108,710 |
| OTHER COMPREHENSIVE | | | | | |
| INCOME- Net of tax | | | | | |
| Item that will not be reclassified | | | | | |
| subsequently to profit or loss: | | | | | |
| Remeasurement losses on net defined | | | | | |
| benefit liability | 26 | — | — | — | — |
| Income tax effect | | — | — | — | — |
| | | — | — | — | — |
| Share in remeasurement gain on | | | | | |
| retirement benefits of associates | | 2,164 | — | 2,164 | — |
| TOTAL COMPREHENSIVE | | | | | |
| INCOME | | ₱440,938 | ₱74,206 | ₱250,843 | ₱108,710 |
| Attributable to: | | | | | |
| Equity holders of the Parent Company | | ₱435,440 | ₱73,239 | ₱248,611 | ₱108,139 |
| Non-controlling interests | | 5,498 | 967 | 2,232 | 571 |
| | | ₱440,938 | ₱74,206 | ₱250,843 | ₱108,710 |

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Amounts in Thousands)

| | Attributable to Equity Holders of Parent Company | | | | | | | | | | | |
|--|--|----------------------------------|-------------------------|--|--|---|-------------------|---------------------|---------------------------------|-------------------|----------------------------------|-------------------|
| | Other Comprehensive Income (Losses) | | | | | | | | | | | |
| | Share Capital (Note 21) | Additional Paid-in Capital | Other Equity Reserve | Share in Cumulative Translation Adjustment of Associates | Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26) | Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 12) | Subtotal | Deficit | Treasury Shares (Note 21) | Total | Non- controlling Interests | Total Equity |
| 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 |
| Net income for the period | – | – | – | – | – | – | – | 433,276 | – | 433,276 | 5,498 | 438,774 |
| Other comprehensive income for the period | – | – | – | – | – | 2,164 | 2,164 | – | – | 2,164 | – | 2,164 |
| Total comprehensive income for the period | – | – | – | – | – | 2,164 | 2,164 | 433,276 | – | 435,440 | 5,498 | 440,938 |
| BALANCES AT JUNE 30, 2023 (Unaudited) | ₱2,500,663 | ₱2,498,621 | ₱712,245 | ₱5,294 | (₱75,005) | ₱11,494 | (₱58,217) | (₱4,228,812) | (₱58,715) | ₱1,365,785 | ₱69,753 | ₱1,435,538 |
| 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 (loss) for the period | – | – | – | – | – | – | – | 73,239 | – | 73,239 | 967 | 74,206 |
| Other comprehensive income for the period | – | – | – | – | – | – | – | – | – | – | – | – |
| Total comprehensive income (loss) for the period | – | – | – | – | – | – | – | 73,239 | – | 73,239 | 967 | 74,206 |
| BALANCES AT JUNE 30, 2022 (Unaudited) | ₱2,500,663 | ₱2,498,621 | ₱712,245 | ₱5,294 | (₱113,523) | ₱4,135 | (₱104,094) | (₱4,897,682) | (₱58,715) | ₱651,038 | ₱62,122 | ₱713,160 |

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2023 AND 2022

(Amounts in Thousands)

| | | Six Months Ended June 30 | |
|--|---------------|--------------------------|-----------|
| | Note | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before tax | | ₱470,813 | ₱100,749 |
| Adjustments for: | | | |
| Depreciation and amortization of property and equipment and software | 11, 14, 22,23 | 636,627 | 671,559 |
| Financing charges | 24 | 299,378 | 228,880 |
| Equity in net earnings of associates and joint ventures | 12 | (7,381) | (5,101) |
| Retirement benefit cost | 26 | 46,529 | 41,248 |
| Gain on disposal of property and equipment | 24 | (3,457) | (4,692) |
| Unrealized foreign exchange losses (gain) | | 700 | 2,467 |
| Interest income | 24 | (264) | (1,280) |
| Provision for impairment of other assets | 24 | 736 | - |
| Operating income before working capital changes | | 1,443,681 | 1,033,830 |
| Decrease (increase) in: | | | |
| Trade and other receivables | | 518,298 | (451,860) |
| Inventories | | (18,361) | 85,459 |
| Other current assets | | (125,382) | (62,545) |
| Other non - current assets | | 5,648 | - |
| Increase in trade and other payables | | 47,952 | 320,911 |
| Cash generated from operations | | 1,871,836 | 925,795 |
| Contribution for retirement fund and benefits paid from book reserve | 26 | (8,701) | (5,622) |
| Interest received | | 264 | 1,280 |
| Income taxes paid, including creditable withholding taxes | | (136,910) | (60,023) |
| Net cash flows provided by operating activities | | 1,726,489 | 861,430 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Property and equipment | 11 | (308,364) | (236,900) |
| Software | | (8,850) | (17,209) |
| Proceeds from disposal of property and equipment: | 11 | (2,947) | 4,692 |
| Decrease (increase) in other noncurrent assets | | (4,965) | 14,194 |
| Net cash flows used investing activities | | (325,126) | (235,223) |

(Forward)

| | | Six Months Ended June 30 | |
|---|-------------|---------------------------------|-------------|
| | <i>Note</i> | 2023 | 2022 |
| CASH FLOWS FROM FINANCING ACTIVITIES | <i>32</i> | | |
| Proceeds from availments of: | | | |
| Short-term notes payable | <i>15</i> | ₱60,000 | ₱1,050,000 |
| Payments of: | | | |
| Short-term notes payable | <i>15</i> | (560,000) | (1,304,500) |
| Long-term debt | <i>15</i> | (100,000) | – |
| Obligations under lease | <i>18</i> | (281,798) | (163,036) |
| Interest and financing charges | <i>24</i> | (244,646) | (228,800) |
| Debt transaction cost | <i>24</i> | (25,500) | – |
| Net cash flows used in financing activities | | (1,151,944) | (646,336) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | (700) | 1,723 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 248,719 | (18,406) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <i>7</i> | 724,527 | 670,015 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <i>7</i> | ₱973,246 | ₱651,609 |

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED 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 Unaudited Interim Condensed 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. (KGLI-NM), 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 March 31, 2021.

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%.

On February 28, 2023, the Board of Directors of 2GO approved the voluntary delisting of 2GO shares from the 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. In the Annual Stockholders' Meeting of 2GO held on April 18, 2023, stockholders owning 2,409,564,081 shares or 97.86% of the outstanding capital stock of 2GO approved the voluntary delisting. The PSE approved the delisting effective July 17, 2023.

As of June 30, 2023, with the completion of the tender offer, 2GO's outstanding capital stock is owned by: SMIC (1,654,861,652 common shares or 67.21%); Trident (781,122,265 common shares or 31.73%); public shareholders own 1.06%.

The accompanying unaudited interim condensed consolidated financial statements as at and for the six months ended June 30, 2023, with comparative figures for the six months ended June 30, 2022 and as at December 31, 2022, were approved and authorized for issue by the BOD on August 9, 2023.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for quoted financial asset investments and hedging instruments which are measured at fair value through other comprehensive income. The unaudited interim condensed 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.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are normally required in presenting the annual audited financial statements and as such should be read in conjunction with the Group's available audited annual consolidated financial statements as at and for the year ended December 31, 2022.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of the Group are prepared in accordance with PAS 34, *Interim Financial Reporting*.

3. Significant Accounting Policies

Accounting policies have been applied consistently to all periods presented in the unaudited interim condensed 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 amendments to standards starting January 1, 2023. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements.

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.

- *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.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of 2GO and the subsidiaries listed below.

| | Nature of Business | <u>Percentage of Ownership</u> | |
|--|---------------------------|--------------------------------|--------------------------|
| | | <u>June 30, 2023</u> | <u>December 31, 2022</u> |
| Special Container and Value Added Services, Inc. (SCVASI) ⁽³⁾ | Transportation/logistics | 100.0 | 100.0 |
| 2GO Express, Inc. (2GO Express) | Transportation/logistics | 100.0 | 100.0 |
| 2GO Logistics, Inc. (2GO Logistics or DTN) | Transportation/logistics | 100.0 | 100.0 |
| Scanasia Overseas, Inc. (SOI) | Sales of goods | 100.0 | 100.0 |
| 2GO Land Transport, Inc. ⁽¹⁾ | Transportation | 100.0 | 100.0 |
| | Holdings and logistics | | |
| NN-ATS Logistics Management and Holdings Co., Inc. ⁽²⁾ | management | 100.0 | 100.0 |
| Astir Engineering Works, Inc. ^{(2) (4)} | Engineering services | 100.0 | 100.0 |
| WG&A Supercommerce, Incorporated ⁽⁴⁾ | Vessels' hotel management | 100.0 | 100.0 |
| North Harbor Tugs Corporation | Tugboat assistance | 58.9 | 58.9 |
| 2GO Rush Delivery, Inc. (RUSH) ⁽⁵⁾ | Transportation/logistics | 100.0 | 100.0 |

¹ Formerly WRR Trucking Corporation

² In September 2020, the BOD approved the merger of these companies

³ On February 22, 2023, the BOD approved the merger of 2GO and SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Group

⁴ Ended commercial operations in 2018 or prior

⁵ Wound down due to non-operation

The unaudited interim condensed consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, liabilities and equities are eliminated in full on consolidation.

4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event.

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

Estimates and Assumptions

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

Leases - Estimation of Incremental Borrowing Rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to

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

Provision for ECL of trade receivables and contract assets

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8.

Determination of NRV of Inventories

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

Estimation of probable losses on CWTs and Input VAT

The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2021 and 2020, 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:

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|-------------|--------------------------------------|--------------------------------|
| | | <i>(In Thousands)</i> | |
| Property and equipment | 11 | ₱5,286,035 | ₱5,648,558 |
| Investments in associates and joint ventures | 12 | 343,910 | 334,365 |

As at June 30, 2023 and December 31, 2022, 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 unaudited interim condensed 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 unaudited interim condensed 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:

| | For the Six Months Ended June 30, 2023 (Unaudited) | | | |
|---|--|-------------------|------------------------------|-------------------------|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| | | | (In Thousands) | |
| External customers | ₱4,349,718 | ₱5,513,958 | ₱— | ₱9,863,676 |
| Intersegment revenue | 803,822 | 261,596 | (1,065,418) | — |
| Revenues from contracts with customers | ₱5,153,540 | ₱5,775,554 | (₱1,065,418) | ₱9,863,676 |
| Income before income tax | ₱421,095 | ₱49,718 | ₱— | ₱470,813 |
| Provision for income tax | 12,672 | (44,711) | — | (32,039) |
| Segment income | ₱433,767 | ₱5,007 | ₱— | ₱438,774 |
| Other Information: | | | | |
| Capital expenditures | ₱342,903 | ₱35,325 | ₱— | ₱378,228 |
| Depreciation and amortization | 449,808 | 186,820 | — | 636,628 |
| Provision for ECL - net | 16 | 10,183 | — | 10,199 |
| Equity in net earnings of associates and joint ventures | 3,455 | 3,926 | — | 7,381 |

| | As of June 30, 2023 (Unaudited) | | | |
|---------------------|---------------------------------|--------------|------------------------------|-------------------------|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| Segment assets | ₱11,377,145 | ₱6,643,514 | (₱3,873,502) | ₱14,147,157 |
| Segment liabilities | ₱8,505,694 | ₱8,015,150 | (₱3,809,225) | ₱12,711,619 |

| | For the Six Months Ended June 30, 2022 (Unaudited) | | | |
|---|--|--------------|------------------------------|-------------------------|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| | (In Thousands) | | | |
| External customers | ₱3,006,637 | ₱5,691,710 | ₱— | ₱8,698,347 |
| Intersegment revenue | 651,349 | 198,765 | (850,114) | — |
| Revenues from contracts with customers | ₱3,657,986 | ₱5,890,475 | (₱850,114) | ₱8,698,347 |
| Income before income tax | ₱111,870 | ₱93,879 | (₱105,000) | ₱100,749 |
| Provision for income tax | (4,176) | (22,367) | — | (26,543) |
| Segment income | ₱107,694 | ₱71,512 | (₱105,000) | ₱74,206 |
| Other Information: | | | | |
| Capital expenditures | ₱144,932 | ₱146,122 | ₱— | ₱291,054 |
| Depreciation and amortization | 486,465 | 185,094 | — | 671,559 |
| Provision for ECL - net | — | 7,743 | — | 7,743 |
| Dividend Income | 105,000 | — | (105,000) | — |
| Equity in net earnings of associates and joint ventures | 4,887 | 213 | — | 5,100 |

| | As of June 30, 2022 (Unaudited) | | | |
|---------------------|---------------------------------|--------------|------------------------------|-------------------------|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| Segment assets | ₱11,388,356 | ₱6,259,195 | (₱3,114,223) | ₱14,533,328 |
| Segment liabilities | ₱9,372,917 | ₱7,501,487 | (₱3,335,676) | ₱13,538,728 |

7. Cash and Cash Equivalents

This account consists of:

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------------|--------------------------------------|--|
| <i>(In Thousands)</i> | | |
| Cash on hand and in banks | ₱958,576 | ₱712,888 |
| Cash equivalents | 14,670 | 11,639 |
| | ₱973,246 | ₱724,527 |

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 ₱0.24 million and ₱0.15 million for the six months ended June 30, 2023 and 2022, respectively (see Note 24).

8. Trade and Other Receivables

This account consists of:

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|------------------------------------|-------------|--------------------------------------|--|
| <i>(In Thousands)</i> | | | |
| Trade | | ₱2,739,595 | ₱2,954,257 |
| Contract assets | 20 | 501,525 | 653,245 |
| Nontrade | | 286,655 | 470,388 |
| Advances to officers and employees | | 45,101 | 24,177 |
| | | 3,572,876 | 4,102,067 |
| Less allowance for ECL | | (507,355) | (518,248) |
| | | ₱3,065,521 | ₱3,583,819 |

- Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.
- Contract assets include unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers.
- Nontrade receivables include advances to principals, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand. The balance includes the ₱10.0 million current portion of receivable for the sale of Mober (see Notes 12 and 14)
- The following tables set out the rollforward of the allowance for ECL as of June 30, 2023 and December 31, 2022:

| June 30, 2023 (Unaudited) | | | | |
|----------------------------------|-------------|--------------------------------------|-----------------|-----------------|
| | <i>Note</i> | Trade and Contract Assets | Nontrade | Total |
| <i>(In Thousands)</i> | | | | |
| Beginning | | ₱483,458 | ₱34,790 | ₱518,248 |
| Provision | 23 | 8,643 | 1,556 | 10,199 |
| Write-off | | (1,565) | – | (1,565) |
| Reversal/Other adjustments | | (19,527) | – | (19,527) |
| Ending | | ₱471,009 | ₱36,346 | ₱507,355 |

| December 31, 2022 (Audited) | | | | |
|------------------------------------|-------------|--------------------------------------|-----------------|-----------------|
| | <i>Note</i> | Trade and Contract Assets | Nontrade | Total |
| <i>(In Thousands)</i> | | | | |
| 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 |

9. Inventories

This account consists of:

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|------------------------------|--------------------------------|
| | <i>(In Thousands)</i> | |
| At lower of cost and net realizable value: | | |
| Trading goods | ₱382,331 | ₱377,355 |
| Materials, parts and supplies | 20,690 | 19,020 |
| At cost: | | |
| Fuel, oil and lubricants | 128,113 | 116,398 |
| | ₱531,134 | ₱512,773 |

The cost of trading goods carried at net realizable value amounted to ₱388.1 million and ₱382.2 million as of June 30, 2023 and December 31, 2022 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱23.1 million and ₱21.4 million, respectively. The allowance for inventory obsolescence amounted to ₱8.5 million and ₱7.3 million as at June 30, 2023 and December 31, 2022, respectively.

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

| <i>Note</i> | Six Months Ended June 30 | |
|------------------------------------|---------------------------------|-------------|
| | 2023 | 2022 |
| | <i>(In Thousands)</i> | |
| Cost of goods sold | ₱1,950,086 | ₱1,990,860 |
| Cost of services | 1,524,967 | 1,374,483 |
| General and administrative expense | 1,951 | 1,237 |
| | ₱3,447,004 | ₱3,366,580 |

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:

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------------------------|-------------|------------------------------|--------------------------------|
| | | <i>(In Thousands)</i> | |
| CWTs | | ₱1,562,197 | ₱1,461,904 |
| Deferred Input VAT | | 131,417 | 117,060 |
| Input VAT | | 57,145 | 91,492 |
| Advances to suppliers and contractors | | 83,941 | 43,437 |
| Prepaid expenses and others | | 235,363 | 132,007 |
| Refundable deposits - current portion | <i>14</i> | 101,717 | 100,205 |
| | | 2,171,780 | 1,946,105 |
| Less: allowance for impairment losses | | (1,549) | (1,549) |
| | | ₱2,170,231 | ₱1,944,556 |

- 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

| June 30, 2023 (Unaudited) | | | | | | | | | | | | |
|--|--------------------------|-------------------------------|---------------------------------------|-------------------------------------|--------------------------|-----------------------------|-----------------------------|---|---------------------------|------------------------------|------------------------|-------------------|
| | 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 |
| <i>(In Thousands)</i> | | | | | | | | | | | | |
| Cost | | | | | | | | | | | | |
| January 1, 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 |
| Additions | 335,125 | 34 | 1,945 | 22,553 | 4,004 | — | 198 | — | 14,370 | — | 135,543 | 513,772 |
| Disposals/Retirements | — | (21,460) | (16,752) | (7,871) | — | (1,381) | (13,379) | — | (111,807) | — | (719,831) | (892,481) |
| June 30, 2023 | 10,025,019 | 1,603,608 | 1,007,996 | 510,850 | 498,651 | 364,362 | 416,547 | 2,393 | 630,126 | 4,473 | 1,927,126 | 16,991,151 |
| Accumulated Depreciation and Amortization | | | | | | | | | | | | |
| January 1, 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 |
| Depreciation and amortization | 340,028 | 24,464 | 27,574 | 12,592 | 1,211 | 3,151 | 5,013 | 239 | 24,400 | — | 181,044 | 619,716 |
| Disposals/Retirements | — | (21,460) | (16,752) | (7,508) | — | (400) | (13,379) | — | (119,555) | — | (457,585) | (636,639) |
| Reclassifications | 1,278 | — | (6) | 38 | — | 558 | — | — | (1,868) | — | — | — |
| June 30, 2023 | 7,202,004 | 1,412,896 | 736,243 | 421,257 | 158,791 | 304,411 | 400,344 | 1,954 | 445,673 | 0 | 620,806 | 11,704,379 |
| Impairment | — | — | — | — | 737 | — | — | — | — | — | — | 737 |
| Net carrying amounts | ₱2,823,015 | ₱190,712 | ₱271,753 | ₱89,593 | ₱339,123 | ₱59,951 | ₱16,203 | ₱439 | ₱184,453 | ₱4,473 | ₱1,306,320 | ₱5,286,035 |

| December 31, 2022 (Audited) | | | | | | | | | | | | |
|--|--------------------------|-------------------------------|---------------------------------------|-------------------------------------|--------------------------|-----------------------------|-----------------------------|---|---------------------------|------------------------------|------------------------|-------------------|
| | 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 |
| <i>(In Thousands)</i> | | | | | | | | | | | | |
| 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 | 464,728 | 915 | 50,982 | 38,423 | 23,102 | 4,184 | 5,965 | — | 41,782 | 4,420 | 1,400,661 | 2,035,162 |
| Disposals/retirements | (1,287,521) | (1,727) | (83) | (1,223) | — | — | (885) | — | — | — | (730,402) | (2,021,841) |
| 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 |

Property and Equipment under Lease

Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of June 30, 2023 and December 31, 2022 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the six months ended June 30, 2023 and 2022 amounting to ₱135.5 million and ₱1,175.1 million, respectively. The related depreciation of the leased assets for the six months ended June 30, 2023 and 2022 amounting to ₱181.0 million and ₱192.7 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.

| June 30, 2023 (Unaudited) | | | | | |
|----------------------------------|-----------------------|-----------------|-------------------|------------------|-------------------|
| | Container yard | Office | Warehouse | Equipment | Total |
| | <i>(In Thousands)</i> | | | | |
| Cost | | | | | |
| January 1, 2022 | ₱562,987 | ₱352,745 | ₱1,253,978 | ₱341,704 | ₱2,511,414 |
| Additions | – | – | 106,632 | 28,910 | 135,542 |
| Disposal | (3,270) | – | (642,268) | (74,293) | (719,831) |
| Reclassifications | 2,251 | – | (3,870) | 1,619 | – |
| June 30, 2023 | 561,968 | 352,745 | 714,472 | 297,940 | 1,927,125 |
| Accumulated depreciation | | | | | |
| January 1, 2022 | 56,969 | 139,420 | 542,577 | 158,381 | 897,347 |
| Depreciation | 25,544 | 21,940 | 116,883 | 16,676 | 181,043 |
| Disposal | (3,270) | – | (380,035) | (74,280) | (457,585) |
| Reclassification | (2,610) | 75 | 2,535 | – | – |
| June 30, 2023 | 76,633 | 161,435 | 281,960 | 100,777 | 620,805 |
| Net Carrying Amount | ₱485,335 | ₱191,310 | ₱432,512 | ₱197,163 | ₱1,306,320 |

| December 31, 2022 (Audited) | | | | | |
|------------------------------------|-----------------------|-----------------|-------------------|------------------|-------------------|
| | Container yard | Office | Warehouse | Equipment | Total |
| | <i>(In Thousands)</i> | | | | |
| 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 |

Unpaid acquisition costs of property and equipment amounted to ₱268.3 million and ₱198.4 million as of June 30, 2023 and December 31, 2022, 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 incurred amounting to ₱249.5 million and ₱114.8 million for the six months ended June 30, 2023 and 2022, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment

The Group disposed certain property and equipment for consideration of ₱9.8 million and ₱1.7 million for the six months ended June 30, 2023 and 2022, respectively.

Depreciation and Amortization

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

| | | Six Months Ended June 30 | |
|------------------------------------|------|--------------------------|----------|
| | Note | 2023 | 2022 |
| | | (In Thousands) | |
| Cost of services and goods sold | 22 | ₱596,323 | ₱630,995 |
| General and administrative expense | 23 | 23,393 | 22,773 |
| | | ₱619,716 | ₱653,768 |

Property and Equipment Held as Collateral

Containers and other equipment held as collateral for finance leases as at June 30, 2023 and December 31, 2022 amounted to ₱2,025.9 million and ₱2,316.2 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱719.6 million and ₱702.1 million as at June 30, 2023 and December 31, 2022, 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:

| | <i>Note</i> | June 30, 2023 | December 31, 2022, |
|--|-------------|----------------------|---------------------------|
| | | (Unaudited) | (Audited) |
| <i>(In Thousands)</i> | | | |
| Acquisition - cost: | | | |
| Balances at beginning of year* | | ₱29,634 | ₱79,634 |
| Disposal | | — | (50,000) |
| Balances at end of year | | 29,634 | 29,634 |
| Accumulated equity in net earnings: | | | |
| Balances at beginning of year | | 295,401 | 201,749 |
| Disposal of equity in net loss | | — | 35,086 |
| Equity in net earnings during the year | | 7,381 | 58,566 |
| Balances at end of year | | 302,782 | 295,401 |
| Share in remeasurement gain on retirement benefits of associates and joint ventures: | | | |
| Balances at beginning of year | | 9,330 | 4,135 |
| Share in remeasurement gain during the year | | 2,164 | 5,195 |
| Balances at end of year | | 11,494 | 9,330 |
| | | ₱343,910 | ₱334,365 |

In August 2022, the Group sold 100% of its shares in Mober for ₱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.

13. Goodwill

Impairment Testing of Goodwill

Goodwill is the result of a business combination in 2010 amounted to ₱848.5 million, and which has been attributed to each of 2GO's CGUs. The recoverable amounts of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. As of June 30, 2023 and December 31, 2022, the carrying value of the goodwill amounted to ₱686.9 million, net of impairment recognized in prior years for certain CGUs.

The Group reviews goodwill for impairment annually at December 31 or when indicators of impairment arise. The group determined there was no goodwill impairment at June 30, 2023 and December 31, 2022.

14. Other Noncurrent Assets

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|------------------------------|-----------------------------------|
| | <i>(In Thousands)</i> | |
| CWTs - net of current portion | ₱749,049 | ₱748,764 |
| Software | 110,701 | 118,617 |
| Refundable deposits - net of current portion | 69,321 | 76,123 |
| Deferred input VAT on capital expenditures | 26,658 | 32,306 |
| Others | 30,000 | 30,000 |
| | 985,729 | 1,005,810 |
| Allowance for impairment | (788) | (8,642) |
| | ₱984,941 | ₱997,168 |

a. The movements in software are as follows:

| | Note | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------------------|------|------------------------------|-----------------------------------|
| | | <i>(In Thousands)</i> | |
| Cost | | | |
| Balances at beginning of year | | ₱364,757 | ₱348,549 |
| Additions | | 8,997 | 38,170 |
| Disposals/Retirement | | (3,483) | (21,962) |
| Balances at end of year | | 370,271 | 364,757 |
| Accumulated Amortization | | | |
| Balances at beginning of year | | 246,140 | 211,374 |
| Amortization | 23 | 16,912 | 34,766 |
| Disposals/Retirement | 23 | (3,482) | — |
| Balances at end of year | | 259,570 | 246,140 |
| Carrying Amount | | ₱110,701 | ₱118,617 |

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 6.40% to 7.50% in first half 2023 and from 3.40% to 4.75% in first half 2022. Total interest expense incurred by the Group for the short-term notes payable amounted to ₱35.5 million and ₱62.2 million for the six months ended June 30, 2023 and 2022, respectively (see Note 24).

16. Trade and Other Payables

| | <i>Note</i> | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|----------------------|-------------|------------------------------|--------------------------------|
| | | <i>(In Thousands)</i> | |
| Trade | | ₱266,008 | ₱1,241,773 |
| Accruals: | | | |
| Expenses | | 3,223,172 | 2,351,762 |
| Salaries and wages | | 123,303 | 120,855 |
| Interest | | 58,270 | 55,350 |
| Capital expenditure | | 268,296 | 198,432 |
| Others | | 58,356 | 142,325 |
| Nontrade | | 1,005,294 | 842,034 |
| Government payables | | 190,658 | 78,286 |
| Contract liabilities | | 91,490 | 35,827 |
| Other payables | <i>19</i> | 33,532 | 134,485 |
| | | ₱5,318,379 | ₱5,201,129 |

- 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 customers’ 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 increased as at June 30, 2023 due to decrease in service completion of freight cash transactions within the half year.
- e. Other payables include provision for contingencies amounting to ₱34.6 and ₱41.7 million as at June 30, 2023 and December 31, 2022, respectively (see Note 19).

17. Long-term Debt

Long-term debt consists of:

| | Note | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-----------------------------------|------|------------------------------|--------------------------------|
| <i>(In Thousands)</i> | | | |
| Banco de Oro Unibank, Inc. (BDO) | 20 | ₱3,900,000 | ₱4,000,000 |
| Unamortized debt arrangement fees | | (25,748) | (5,200) |
| | | 3,874,252 | 3,994,800 |
| Current portion | | 333,023 | 3,496,823 |
| Noncurrent portion | | ₱3,541,229 | ₱497,977 |

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.

On April 11 and 14, 2023, 2GO repaid ₱100 million of the term loan and refinanced ₱3.4 billion with a new term loan facility agreement for another five-year term. The new term loan facility requires annual repayment of 10% of the outstanding principal by the anniversary date each year and balloon payment of 50% on maturity, and is subject to a floating interest rate.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, 2GO is required to maintain a maximum debt-to-EBITDA ratio of 4.0 and a minimum debt service coverage ratio of 1.25.

Interest rate is floater at 3M BVAL plus 100 bps/.95 or floor of 7%. 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.

- 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 of 4.9%. The facility was fully drawn in April 2021.

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 ₱719.6 million and ₱702.1 million as of June 30, 2023 and December 31, 2022, respectively. 2GO is required to maintain a debt-to-equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

Borrowing Costs and Debt Transaction Costs

Interest from long-term borrowings of the Group recognized as expense totaled ₱123.0 million and ₱115.1 million for the six months ended June 30, 2023 and 2022, respectively (see Note 24).

The Group paid ₱25.5 million, ₱3.0 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 2023, 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱5.0 million and ₱3.7 million for the six months ended June 30, 2023 and 2022, respectively (see Note 24).

Compliance with debt covenants

At December 31, 2022, 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, 2023.

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:

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|----------------------------|-------------------------------|---|
| | Future Minimum Lease Payments | Present Value of Minimum Lease payments |
| | | Future Minimum Lease payments |
| | | Present Value of Lease payments |
| Less than one year | ₱390,353 | ₱319,494 |
| Between one and five years | 974,065 | 853,001 |
| Between six and ten years | 165,476 | 157,765 |
| | 1,529,894 | 1,330,260 |
| Interest component | 199,634 | — |
| Present value | ₱1,330,260 | ₱1,330,260 |

The interest expense recognized related to these leases amounted to ₱46.9 million and ₱35.6 million for the six months ended June 30, 2023 and 2022, respectively, under "Financing charges" account in the unaudited interim condensed consolidated statements of profit or loss (see Note 24).

Set out below are the amounts recognized in the unaudited interim condensed consolidated statement of profit or loss for the six months ended June 30, 2023 and 2022 in relation to the obligation under lease and the related right-of-use assets.

| | Six Months Ended June 30 | |
|---|--------------------------|----------|
| | 2023 | 2022 |
| | (In Thousands) | |
| Depreciation expense of right-of-use assets | ₱181,043 | ₱192,741 |
| Interest expense on obligation under lease | 46,862 | 35,598 |
| Rent expense - short-term leases | 245,537 | 192,094 |
| Rent expense - low value assets | 3,150 | 3,383 |
| | ₱476,592 | ₱423,817 |

The rollforward analysis of obligation under lease for the six months ended June 30, 2023 is disclosed in Note 31.

Lease-related expenses are presented under “Cost of Services and Goods Sold”, “General and Administrative Expenses” and “Financing Charges” as follows:

| | Six Months Ended June 30 | |
|-------------------------------------|---------------------------------|-------------|
| | 2023 | 2022 |
| | <i>(In Thousands)</i> | |
| Cost of services and goods sold | ₱411,848 | ₱370,995 |
| General and administrative expenses | 17,882 | 17,224 |
| Financing charges | 46,862 | 35,598 |
| | ₱476,592 | ₱423,817 |

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 unaudited interim condensed 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 June 30, 2023 and December 31, 2022 amounted to ₱34.6 million and ₱41.7 million, respectively, and are presented as part of “Other payables” under “Trade and other payables” in the interim unaudited condensed consolidated statements of financial position (see Note 16). No provision for probable losses was recognized in the interim unaudited consolidated statements of profit or loss for the six months ended June 30, 2023 and 2022 (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) 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) ⁽¹⁾ 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) ⁽³⁾ 2GO Rush, Inc. (Rush) ⁽³⁾ |
| Associates | MCC Transport Philippines, Inc. (MCCP) Mober Technology PTE Inc. ⁽²⁾ |
| Joint Ventures | KLN Logistics Holdings Philippines, Inc. (KLN) Kerry Logistics (Phils.), Inc. (KLPI) |

(Forward)

| Relationship | Name |
|----------------------------|-------------------------------------|
| Other Affiliated Companies | 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. |

(1) Formerly WRR Trucking Corporation.

(2) Sold in August 2022. Related party disclosure relates to the transactions until the date of sale.

(3) Dormant companies.

The following are the revenue and income (costs and expenses) included in the the unaudited interim condensed consolidated statements of profit or loss with related parties:

| | | Six Months Ended June 30 | |
|------------------------------|--------------------------------|--------------------------|-----------|
| Nature | | 2023 | 2022 |
| | | (In Thousands) | |
| Stockholders of the Company | Outside services | (P41,678) | (P41,211) |
| | Computer charges | (6,581) | (17,102) |
| | Communication, light and water | (3,135) | (3,100) |
| Associates and Joint Venture | Freight expense | (36,348) | (19,092) |
| | Freight revenue | 531 | 774 |
| | Shared cost | 2,142 | 2,107 |
| | Other overhead expense | (299) | (105) |
| Other Affiliated Companies | Freight revenue | 138,044 | 143,781 |
| | Outside services | 111,581 | 94,590 |
| | Sale of goods | 125,572 | 74,219 |
| | Food and beverage | (109,943) | (59,758) |
| | Interest expense | (79,358) | (139,063) |
| | Interest income | 150 | 15 |
| | Others - net | (889) | (1,028) |
| Key Management Personnel | Short-term employee benefits | (29,120) | (26,150) |

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

| Financial Statement | | | June 30, 2023 | December 31, 2022 |
|------------------------------------|------------------------|------------------------------------|---------------|-------------------|
| | Account | Terms and Conditions | (Unaudited) | (Audited) |
| (In Thousands) | | | | |
| Stockholders of the Parent Company | Trade payable | 30 to 60 days; noninterest-bearing | (P16,344) | (P33,121) |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | (9,308) | (19,139) |
| Associates and joint venture | Trade receivables | 30 to 60 days; noninterest-bearing | 136 | — |
| | Nontrade receivables | On demand; noninterest-bearing | 34,621 | 69,205 |
| | Trade payables | 30 to 60 days; noninterest-bearing | (1,329) | (1,100) |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | 878 | (10,443) |
| | Due to related parties | 30 to 60 days; noninterest-bearing | (19) | (9) |
| Other Affiliated Companies | Short-term loan | See Note 15 | (1,519,000) | (339,000) |
| | Long-term debt | See Note 18 | (3,900,000) | (3,994,800) |
| | Cash in bank | On demand | 696,793 | 172,230 |
| | Nontrade receivables | 30 to 60 days; noninterest-bearing | 101,326 | 71,879 |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | (54,539) | (77,287) |
| | Trade payables | 30 to 60 days; noninterest-bearing | (9,721) | (44,134) |

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 services to 2GO Express and SOI.
- In 2022, the Group sold its share in Mober.

Intercompany Balances Eliminated during Consolidation

The following are the intercompany balances among related parties which are eliminated in the unaudited interim condensed consolidated financial statements:

| Amounts owed to: | Amounts owed by: | Terms and Conditions | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|-----------------------|--------------------------------------|------------------------------------|------------------------------|--------------------------------|
| <i>(In Thousands)</i> | | | | |
| 2GO | SCVASI/EXP/2GOLI/SOI/2GO LAND/NLMHCI | 30 to 60 days; noninterest-bearing | P3,101,4805 | P3,248,201 |
| EXP | 2GO/SCVASI/2GOLI/SOI/2GO LAND/NLMHCI | 30 to 60 days; noninterest-bearing | 418,081 | 451,398 |
| SOI | 2GO/SCVASI/EXP/2GOLI | 30 to 60 days; noninterest-bearing | 75,994 | 75,596 |
| SCVASI | 2GO | 30 to 60 days; noninterest-bearing | 68,997 | 37,272 |
| 2GOLI | 2GO/SCVASI/EXP/SOI/2GO LAND | 30 to 60 days; noninterest-bearing | (3,724) | (290,987) |
| 2GO Land | EXP/2GOLI | 30 to 60 days; noninterest-bearing | 40,201 | 64,717 |
| NLMHCI | 2GO/EXP/NHTC | 30 to 60 days; noninterest-bearing | 44,662 | 45,325 |
| USDI | 2GO | 30 to 60 days; noninterest-bearing | 50,398 | 16,076 |
| AEWI | 2GO | 30 to 60 days; noninterest-bearing | 8,622 | 7,622 |
| NHTC | 2GO | 30 to 60 days; noninterest-bearing | 4,201 | 5,614 |

21. Equity

a. Share Capital

Details of share capital as at June 30, 2023 and December 31, 2022 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 as at June 30, 2023 and December 31, 2022 | 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 |
| | Issuance of preferred shares | | |
| February 10, 2003 | before redemption | 1.00 | — |
| November 18, 2003 | Redemption of preferred shares | 6.67 | — |
| September 6, 2004 | Issuance of common shares by way of stock dividends | 1.00 | 393,246,555 |
| November 22, 2004 | Redemption of preferred shares | 6.67 | — |
| December 31, 2004 | Issuance of common shares prior to reorganization | 1.00 | (756) |
| October 24, 2005 | Issuance of common shares through share swap transactions | 1.76 | 414,121,123 |
| August 22 to October 13, 2006 | Conversion of redeemable preferred shares to common shares | 3.20 | 140,687,340 |
| December 6 -31, 2012 | Redemption of redeemable preference share | 6.00 | — |
| January 1, 2019 | Issuance of common shares | 1.00 | 16,009,916 |
| | | | 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 5,082 and 5,109 equity holders as of June 30, 2023 and December 31, 2022, respectively.

- b. Retained earnings include undistributed earnings amounting to ₱1,068.8 million and ₱1,003.8 million as of June 30, 2023 and December 31, 2022, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of June 30, 2023 and December 31, 2022.
- c. Other equity reserves pertain to the Group's excess investment cost over the net assets of acquired entities under common control at the date of acquisition.

22. Cost of Services and Goods Sold

This account consists of the following:

| | | Six Months Ended June 30 | |
|--------------------------------|--------|--------------------------|------------|
| | Note | 2023 | 2022 |
| | | (In Thousands) | |
| Cost of Services | | | |
| Transportation and delivery | | ₱1,830,720 | ₱1,598,514 |
| Fuel, oil and lubricants | 20 | 1,310,293 | 1,276,282 |
| Outside services | | 1,258,670 | 1,085,432 |
| Depreciation and amortization | 11, 14 | 596,323 | 630,995 |
| Personnel costs | 25, 26 | 497,189 | 405,601 |
| Repairs and maintenance | | 280,238 | 180,301 |
| Rent | 29 | 247,472 | 194,237 |
| Arrastre and stevedoring | | 136,332 | 144,637 |
| Food and beverage | 20 | 132,231 | 56,963 |
| Insurance | | 117,748 | 120,325 |
| Material and supplies used | | 82,443 | 41,238 |
| Communication, light and water | | 73,674 | 52,357 |
| Taxes and licenses | | 63,496 | 39,585 |
| Food and subsistence | | 37,193 | 25,082 |
| Concession expenses | | 24,058 | 31,581 |
| Travel expenses | | 41,244 | 33,648 |
| Others | | 11,314 | 28,134 |
| | | 6,740,638 | 5,944,912 |
| Cost of Goods Sold | | 1,950,086 | 1,990,860 |
| | | ₱8,690,724 | ₱7,935,772 |

23. General and Administrative Expenses

This account consists of the following:

| | | Six Months Ended June 30 | |
|---|--------|--------------------------|----------|
| | Note | 2023 | 2022 |
| (In Thousands) | | | |
| Personnel costs | 25, 26 | ₱286,793 | ₱235,933 |
| Outside services | | 45,609 | 44,557 |
| Computer charges | | 43,425 | 39,809 |
| Depreciation and amortization | 11, 14 | 40,305 | 40,563 |
| Transportation and travel | | 23,713 | 23,090 |
| Advertising and promotion | | 23,598 | 6,767 |
| Communication, light and water | | 13,150 | 11,837 |
| Provision for ECL | 8 | 10,199 | 7,743 |
| Repairs and maintenance | | 4,657 | 7,910 |
| Rent | 29 | 1,215 | 322 |
| Office supplies | | 1,951 | 1,237 |
| Entertainment, amusement and recreation | | 1,498 | 933 |
| Taxes and licenses | | 3,133 | 1,869 |
| Insurance | | 397 | 226 |
| Others | | (35,040) | 22,784 |
| | | ₱464,603 | ₱445,580 |

Others consist of various expenses that are individually immaterial such as input vat expense and other corporate expenses. The balance for the six months ended June 30, 2023 includes reversal of general provision amounting to ₱81.6 million

24. Other Income (Charges)

Financing Charges

| | | Six Months Ended June 30 | |
|--------------------------|----|---------------------------------|-----------------|
| | | 2023 | 2022 |
| | | <i>(In Thousands)</i> | |
| Interest expense on: | | | |
| Long-term debt | 17 | ₱122,961 | ₱115,111 |
| Short-term notes payable | 15 | 69,582 | 62,208 |
| Amortization of: | | | |
| Obligations under lease | 18 | 46,862 | 35,598 |
| Debt transaction costs | 17 | 4,950 | 3,686 |
| Other financing charges | | 8,161 | 12,277 |
| | | ₱252,516 | ₱228,880 |

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of June 30, 2023 and December 31, 2022 amounted to ₱58.3 million and ₱55.3 million, respectively (see Note 16).

Others - net

| | | Six Months Ended June 30 | |
|--|----|---------------------------------|---------------|
| | | 2023 | 2022 |
| | | <i>(In Thousands)</i> | |
| Interest income | 7 | ₱264 | ₱1,280 |
| Gain on disposal of property and equipment | 12 | 3,457 | 4,692 |
| Foreign exchange losses | | (1,380) | (3,385) |
| Others - net | | 5,258 | 4,947 |
| | | ₱7,599 | ₱7,534 |

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

25. Personnel Costs

Details of personnel costs are as follows:

| | | Six Months Ended June 30 | |
|-------------------------|----|---------------------------------|-----------------|
| | | 2023 | 2022 |
| | | <i>(In Thousands)</i> | |
| Salaries and wages | | ₱585,440 | ₱529,426 |
| Retirement benefit cost | 26 | 46,529 | 41,778 |
| Other employee benefits | | 152,013 | 70,330 |
| | | ₱783,982 | ₱641,534 |

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 ₱31.1 million to the retirement fund in 2023. The Group's transaction with the plan pertain to contribution and benefit payments.

Total retirement benefit cost included in the interim unaudited condensed consolidated statements of profit or loss amounted to ₱46.5 million and ₱41.2 million for the six months ended June 30, 2023 and 2022, respectively.

The following tables summarize the funded status and amounts recognized in the unaudited interim condensed consolidated statements of financial position:

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|----------------------------|------------------------------|--------------------------------|
| | (In Thousands) | |
| Defined benefit obligation | ₱512,857 | ₱466,329 |
| Fair value of plan assets | (130,129) | (121,429) |
| | ₱382,728 | ₱344,900 |

27. Income Taxes

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

| | Six Months Ended June 30 | |
|----------|--------------------------|---------|
| | 2023 | 2022 |
| | (In Thousands) | |
| Current: | | |
| RCIT | ₱21,175 | ₱19,882 |
| MCIT | 15,442 | 10,036 |
| | 36,617 | 29,918 |
| Deferred | (4,578) | (3,375) |
| | ₱32,039 | ₱26,543 |

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

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|------------------------------|--------------------------------|
| | (In Thousands) | |
| Directly recognized in profit or loss | | |
| Deferred income tax assets on: | | |
| Accrued retirement benefits | ₱55,347 | ₱50,780 |
| Unamortized past service cost | 9,862 | 10,971 |
| Obligations under lease, net of right-of-use assets | 384,753 | 391,939 |
| Accruals and others | 8,361 | 8,128 |
| | 458,323 | 461,818 |
| (forward) | | |

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|------------------------------|--------------------------------|
| Deferred income tax liabilities on: | | |
| Right-of-use assets | (368,090) | (379,462) |
| Unamortized debt arrangement fees and other taxable temporary differences | (7,363) | (2,235) |
| | 82,870 | 80,121 |
| Directly recognized in OCI | | |
| Deferred income tax asset on remeasurement of retirement costs | 22,373 | 20,545 |
| | ₱105,243 | ₱100,666 |

28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

| | Six Months Ended June 30 | |
|---|--------------------------|-----------|
| | 2023 | 2022 |
| | <i>(In Thousands)</i> | |
| Net income for the year attributable to equity holders of the Parent Company | ₱433,276 | ₱73,239 |
| Weighted average number of common shares outstanding for the year | 2,462,146,316 | 2,462,146 |
| Income per common share | ₱0.18 | ₱0.03 |

There are no potentially dilutive common shares as at June 30, 2023 and 2022.

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 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.

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 derivatives transaction, including the risk management objectives and the accounting results, are discussed in this note.

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.

Credit Risk

To manage credit risk, the Group has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. The Group has policies that limit the amount of credit exposure to any particular customer.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of June 30, 2023 and December 31, 2022, the Group did not hold collateral from any counterparty.

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. For new customers, the Group has no basis yet as far as payment habit is concerned.

The Group evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Group also evaluated its advances to officers and employees as high grade since these are collected through salary deductions.

The aging per class of financial assets, contract assets and expected credit loss as of June 30, 2023 and December 31, 2022 are as follows:

| June 30, 2023 (Unaudited) | Current | Past Due | | | | | Expected Credit Loss | Total |
|---|------------|----------------------|------------------|------------------|-------------------|------------------|----------------------------|------------|
| | | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | | |
| (In Thousands) | | | | | | | | |
| Financial assets: | | | | | | | | |
| Cash in banks | ₱903,020 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱903,020 |
| Cash equivalents | 14,671 | – | – | – | – | – | – | 14,671 |
| Trade receivables | 1,457,260 | 502,453 | 214,657 | 46,451 | 108,442 | 410,302 | (471,009) | 2,268,556 |
| Nontrade receivables [/] | 69,607 | 3,497 | 4,625 | 14,014 | 5,317 | 50,454 | (36,346) | 111,168 |
| Advances to officers ² and employees ¹ | 5,730 | – | – | – | – | – | – | 5,730 |
| Refundable deposits | 171,036 | – | – | – | – | – | – | 171,036 |
| Contract assets | 501,525 | – | – | – | – | – | – | 501,525 |
| Total | ₱3,122,849 | ₱505,950 | ₱219,282 | ₱60,465 | ₱113,759 | ₱460,756 | (₱507,355) | ₱3,975,706 |

⁽¹⁾Excluding nonfinancial asset amounting to P7.5 million; including long-term receivable amounting to P30.0 million.

⁽²⁾Excluding advances amounting to P20.4 million subject to liquidation.

| December 31, 2022 (Audited) | Current | Past Due | | | | | Expected Credit Loss | Total |
|--|------------|----------------------|------------------|------------------|-------------------|------------------|-------------------------|------------|
| | | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | | |
| <i>(In Thousands)</i> | | | | | | | | |
| 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 P119.8 million; including long-term receivable amounting to P30.0 million.

⁽²⁾Excluding advances amounting to P21.4 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.

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.

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 4.9% to 7.5% and from 4.0% to 6.23% for the six months ended June 30, 2023 and 2022, respectively.

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 unaudited interim condensed consolidated statement of financial position. The capital ratios are as follows:

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---------------------|------------------------------|--------------------------------|
| Assets financed by: | | |
| Creditors | 90% | 93% |
| Stockholders | 10% | 7% |

As of June 30, 2023 and December 31, 2022, 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.

| | June 30, 2023 (Unaudited) | | December 31, 2022 (Audited) | |
|------------------------------|---------------------------|-------------------|-----------------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <i>(In Thousands)</i> | | | | |
| Financial Liabilities | | | | |
| Long-term debts | ₱3,874,252 | ₱3,742,610 | ₱3,994,800 | ₱3,936,702 |
| Obligations under lease | 1,330,260 | 1,295,466 | 1,691,899 | 1,598,416 |
| | ₱5,204,512 | ₱5,038,076 | ₱5,686,699 | ₱5,535,118 |

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 4.52% to 4.99% 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 8.1% and 6.9% was used in calculating the fair value of the long-term debt as of June 30, 2023 and December 31, 2022, 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 7.9% to 8.2% and 6.3% to 8.5% as of June 30, 2023 and December 31, 2022, respectively.

Derivative assets

The fair value of derivatives is determined by the use of either present value methods or standard option valuation models. The valuation inputs on these derivatives are based on assumptions developed from observable information, including, but not limited to, the forward curve derived from published or future prices adjusted for factors such as seasonality considerations and the volatilities that take into account the impact of spot process and the long-term price outlook of the underlying commodity and currency.

31. Notes to Unaudited Interim Condensed Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the six months ended June 30, 2023:

| | January 1, 2023 | Cash Flows | | | | June 30, 2023 |
|---|--------------------|------------|------------|------------|-------------|------------------|
| | | Availments | Payments | Net | Others | |
| Short-term notes payable | ₱2,306,000 | ₱60,000 | (₱560,000) | (₱500,000) | ₱- | ₱1,806,000 |
| Current portion of long-term debt | 3,496,823 | - | (100,000) | (100,000) | (3,063,800) | 333,023 |
| Current portion of obligations under lease | 347,387 | - | (281,798) | (281,798) | (253,905) | 319,494 |
| Noncurrent portion of long-term debt | 497,977 | - | - | - | 3,043,252 | 3,541,229 |
| Noncurrent portion of obligations under lease | 1,344,512 | 135,542 | - | 135,542 | (469,288) | 1,010,766 |
| Total liabilities from financing activities | ₱7,992,699 | ₱195,542 | (₱941,798) | (₱746,256) | ₱(235,931) | ₱7,010,512 |

For the six months ended June 30, 2022:

| | January 1, 2022 | Cash Flows | | | | June 30, 2022 |
|---|-----------------|------------|--------------|------------|--------------|------------------|
| | | Availments | Payments | Net | Others | |
| Short-term notes payable | ₱3,106,000 | ₱1,050,000 | (₱1,304,500) | (₱254,500) | ₱- | ₱2,851,500 |
| Current portion of obligations under lease | 141,557 | - | (163,036) | (163,036) | 360,475 | 338,996 |
| Current portion of long-term debt | - | - | 3,494,561 | 3,494,561 | - | 3,494,561 |
| Noncurrent portion of long-term debt | 3,987,844 | - | - | - | (3,490,875) | 496,969 |
| Noncurrent portion of obligations under lease | 498,008 | 1,175,107 | - | 1,175,107 | (360,290) | 1,312,825 |
| Total liabilities from financing activities | ₱7,733,409 | ₱2,225,107 | ₱2,027,025 | ₱4,252,132 | ₱(3,490,690) | ₱8,494,851 |

“Others” includes the effect of reclassification of non-current portion to current due to the passage of time and amortization of debt transaction costs capitalized.

32. 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.

2GO GROUP, INC.
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of June 30, 2023

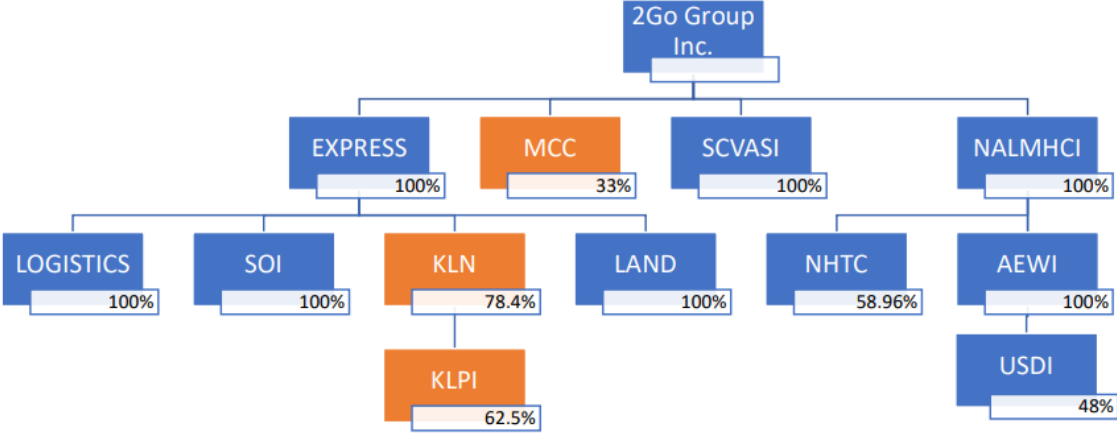
| | | |
|---|----------------|---------------------|
| Unappropriated Deficit, beginning | | (₱2,926,034) |
| Less: Deferred income tax assets, beginning | | 70,137 |
| Treasury shares | | 58,715 |
| Unappropriated Deficit, <i>as adjusted to available for dividend distribution</i> , beginning | | (3,054,886) |
| Add: Net loss actually earned/realized during the period | | |
| Net income during the period closed to Deficit | 476,210 | |
| Less: Non-actual/ unrealized income, net of tax: | | |
| Movement in deferred income tax assets | (617) | |
| Sub-total | 476,827 | |
| Add: Non-actual losses, net of tax: | | |
| Adjustment due to deviation from PFRS/ GAAP – loss | – | |
| Net income actually earned during the period | 476,827 | 476,827 |
| Add (Less): | | |
| Dividend declarations during the period | – | |
| Distributions paid | – | |
| Appropriations of retained earnings during the year | – | |
| Reversal of appropriations | – | |
| Treasury shares | – | |
| | – | – |
| TOTAL DEFICIT, END AVAILABLE FOR DIVIDEND | | (₱2,578,059) |

2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
KEY PERFORMANCE INDICATORS
AS OF JUNE 30, 2023 AND DECEMBER 31, 2022
(Amounts in Thousands)

| | June 30, 2023 | December 31, 2022 |
|--|------------------|----------------------|
| Total Liabilities | ₱12,711,619 | ₱13,397,294 |
| Total Stockholders' Equity | 1,435,538 | 994,600 |
| Debt-to-Equity | 8.85 | 13.47 |
| Total Current Assets | ₱6,740,132 | ₱6,624,241 |
| Total Current Liabilities | 7,776,896 | 11,209,905 |
| Current Ratio | 0.87 | 0.59 |
| Total Quick Assets | ₱4,038,767 | ₱4,166,912 |
| Total Current Liabilities | 7,776,896 | 11,209,905 |
| Quick Ratio | 0.52 | 0.37 |
| Net Income After Tax | ₱438,774 | ₱311,933 |
| Depreciation & Amortization | 602,804 | 1,361,737 |
| Net Income before Dep'n & Amortization | 1,041,578 | 1,673,670 |
| Short Term & Long-Term Notes | 5,749,380 | 6,360,357 |
| Solvency Ratio | 0.18 | 0.26 |
| Total Liabilities | ₱12,711,619 | ₱13,397,294 |
| Total Assets | 14,147,157 | 14,391,894 |
| Debt-to-Asset Ratio | 0.90 | 0.93 |
| Total Assets | ₱14,147,157 | ₱14,391,894 |
| Total Stockholders' Equity | 1,435,538 | 994,600 |
| Equity-to-Asset Ratio | 0.10 | 0.07 |
| Net Income | ₱438,774 | ₱311,933 |
| Average Total Assets | 14,340,243 | 13,655,308 |
| Return on Assets | 0.03 | 0.02 |
| Net Income | ₱438,774 | ₱311,933 |
| Average Total Stockholders' Equity | 1,215,069 | 816,777 |
| Return on Equity | 0.36 | 0.38 |

| | June 30, 2023 | December 31, 2022 |
|---------------------------------|------------------|----------------------|
| Sales | ₱9,863,676 | ₱19,268,221 |
| Cost of Services and Goods Sold | 8,690,724 | 17,495,885 |
| Gross Profit | 1,172,952 | 1,772,336 |
| Gross Profit Margin | 0.12 | 0.09 |
| Net Income | ₱438,774 | ₱311,933 |
| Sales | 9,863,676 | 19,268,221 |
| Net Profit Margin | 0.04 | 0.02 |
| EBIT | ₱723,065 | ₱858,441 |
| Interest Expense | 252,516 | 489,808 |
| Interest Coverage Ratio | 2.86 | 1.75 |

Corporate Structure
As of June 30, 2023



| | | | | | |
|-----------|--|---------|--|------|---------------------------------|
| 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 |

2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
Schedule of Financial Soundness
As of June 30, 2023
(Amounts in Thousands)

| Ratio | Formula | June 30, 2023 | December 31, 2022 |
|------------------------|--|---------------|-------------------|
| Current ratio | Total Current Assets Divided by Total Current Liabilities | 0.87 | 0.59 |
| | Total Current Assets 6,740,132 | | |
| | Divided by: Total Current Liabilities 7,776,896 | | |
| | Current Ratio 0.87 | | |
| Acid test ratio | Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities | 0.52 | 0.37 |
| | Total Current Assets 6,740,132 | | |
| | Less: Inventories (531,134) | | |
| | Other current assets (2,170,231) | | |
| | Quick assets 4,038,767 | | |
| | Divided by: Total Current Liabilities 7,776,896 | | |
| | Acid test ratio 0.52 | | |
| Solvency ratio | Net income before Depreciation & Amortization (Net income from operations plus depreciation and amortization) divided by Interest Bearing Debt | 0.18 | 0.26 |
| | Net income from operations 438,774 | | |
| | Add: Depreciation & Amortization 602,804 | | |
| | Net income (loss) before depreciation & Amortization 1,041,578 | | |
| | Short Term Notes 1,806,000 | | |
| | Long Term Notes 3,874,252 | | |
| | Obligations under finance lease 79,176 | | |
| | Divided by: Interest Bearing Debt 5,749,380 | | |
| | Solvency Ratio 0.18 | | |
| | | | |

| Ratio | Formula | June 30, 2023 | December 31, 2022 |
|-------------------------------------|---|------------------|----------------------|
| Debt-to-equity ratio | Total Liabilities divided by Total Stockholders' Equity <div> Total Liabilities <div>12,711,619</div> </div> <div> Divided by: Total Stockholders' Equity <div>1,435,538</div> </div> <hr/> Debt-to-equity ratio <div>8.85</div> | 8.85 | 13.47 |
| Asset-to-equity ratio | Total Assets divided by Total Stockholders' Equity <div> Total Assets <div>14,147,157</div> </div> <div> Divided by: Total Stockholders' Equity <div>1,435,538</div> </div> <hr/> Asset-to-equity ratio <div>9.85</div> | 9.85 | 14.47 |
| Interest rate coverage ratio | Earnings from before interest & tax divided by interest expense <div> Earnings from operations before interest and income tax <div>723,065</div> </div> <div> Divided by: Interest expense <div>252,516</div> </div> <hr/> Interest rate coverage ratio <div>2.86</div> | 2.86 | 1.76 |
| Return on equity | Net income from operations divided by Average Total Stockholders' Equity <div> Net income from operations <div>438,774</div> </div> <div> Divided by: Average Total Stockholders' Equity <div>1,215,069</div> </div> <hr/> Return on equity ratio <div>0.36</div> | 0.36 | 0.38 |
| Return on assets | Net income from operations divided by Average Total Assets <div> Net income from operations <div>438,774</div> </div> <div> Divided by: Average Total Assets <div>14,340,243</div> </div> <hr/> Return on assets <div>0.03</div> | 0.03 | 0.02 |
| Net profit margin | Net income from operations divided by Total Revenue <div> Net income from operations <div>438,774</div> </div> <div> Divided by: Total Revenue <div>9,863,676</div> </div> <hr/> Net profit margin <div>0.04</div> | 0.04 | 0.02 |

2GO Group, Inc. and Subsidiaries
Management's Discussion and Analysis

Results of Operations for the Six Months Ended June 30, 2023 and 2022

| Amounts in millions | Jun 30, 2023 | Jun 30, 2022 | % Change |
|-------------------------------------|--------------|--------------|----------|
| Revenue | P 9,864 | P 8,698 | 13% |
| Costs of Services and Goods Sold | 8,691 | 7,936 | (10%) |
| Gross Profit | 1,173 | 763 | 54% |
| General and Administrative Expenses | 465 | 446 | (4%) |
| Operating Income | 708 | 317 | 123% |
| Other Charges | 238 | 216 | (10%) |
| Provision for Income Tax | 32 | 27 | (21%) |
| Net Income (Loss) | P 439 | P 74 | 491% |
| Add back: | | | |
| Financing Charges (Interest) | 253 | 229 | (10%) |
| Provision for Income Tax | 32 | 27 | (21%) |
| Depreciation and Amortization | 637 | 672 | 5% |
| EBITDA | P 1,360 | P 1,001 | 36% |

2GO Group, Inc. and its subsidiaries ("2GO" or the "Group") delivered Net Income of P439M for the six months ended June 30, 2023, which represents a 491% or P365M improvement year-over-year (YoY) from the Net Income of P74M earned during the same period last year. 2Go's turnaround continues as it focuses on profitable services and customers, driving efficiencies in operations and stringent cost controls.

Total revenue increased 13% YoY to P9.9B from P8.7B. Shipping revenue, which is comprised of sea freight and passenger travel, increased 45% YoY due to a 34% or P832M increase in sea freight revenue and a 90% or P511M increase in passenger travel revenue. Logistics and other services revenue decreased 7% or P254M as 2GO focused on providing services to more profitable accounts. Distribution revenue improved 3% or P76M due to increasing demand from consumers. Shipping accounted for 44% and Non-shipping accounted for 56% of total revenue during the first half of 2023, compared to 35% and 65% respectively during 2022.

Cost of services and goods sold increased 10% YoY due to higher volumes across the business and higher fuel prices. General and administrative expenses increased 4% YoY from additional costs to support the business and IT investments to help drive scale and efficiencies.

Other Charges were primarily comprised of P253M of financing charges, partially offset by income from associates and other income from disposal of property and equipment, foreign exchange gains and bad order recovery. Other Charges increased 10% YoY or P21M mainly from higher interest rates.

EBITDA improved 36% or P359M to P1.4B at 13.8% margin in the first half of 2023 compared to P1B at 11.5% margin in 2022.

Financial Position as of June 30, 2023 and December 31, 2022

| Amounts in millions | As of | | % Change |
|-------------------------------------|-----------------|-----------------|-------------|
| | Jun 30, 2023 | Dec 31, 2022 | |
| Current Assets | P 6,740 | P 6,766 | (0%) |
| Noncurrent Assets | 7,407 | 7,768 | (5%) |
| Total Assets | P 14,147 | P 14,533 | (3%) |
| Current Liabilities | P 7,777 | P 11,351 | (31%) |
| Noncurrent Liabilities | 4,935 | 2,187 | 126% |
| Total Liabilities | P 12,712 | P 13,539 | (6%) |
| Total Equity | 1,436 | 995 | 44% |
| Total Liabilities and Equity | P 14,147 | P 14,533 | (3%) |

Total Assets decreased 3% from P14.5B to P14.1B, while Total Liabilities decreased 6% from P13.5B to P12.7B.

Assets

Current Assets flat at P6.7B. Cash and Cash Equivalents increased 34% from P725M to P973M due to higher revenue and improved collections. Accordingly, Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 14% from P3.6B to P3.1B.

Noncurrent Assets decreased 5% from P7.8B to P7.4B from PPE decrease due to depreciation, net of additions.

Liabilities

Current Liabilities decreased 31% from P11.4B to P7.8B mainly from the refinancing of Long-term debt in April. Short-term Notes Payable decreased 22% from P2.3B to P1.8B from debt repayments.

Noncurrent Liabilities increased 126% from P2.2B to P4.9B mainly from the aforementioned refinancing of Long-term debt.

Equity

Total Equity increased 44% from P995M to P1.4B as 2GO delivered Net Income of P439M in the first half of 2023.

Key Performance Indicators

The following are the key financial ratios of the Group for the six months ended June 30, 2023 and 2022 and as of June 30, 2023 and December 31, 2022.

| | Jun 30, 2023 | Jun 30, 2022 |
|--|--------------|--------------|
| Revenue Growth | 13.4% | 11.6% |
| Net Income Margin | 4.4% | 0.9% |
| EBITDA (in Millions of Pesos) | P 1,360 | P 1,001 |
| EBITDA Margin | 13.8% | 11.5% |
| | As of | |
| | Jun 30, 2023 | Dec 31, 2022 |
| Current Ratio | 0.9 | 0.6 |
| Bank Debt to Total Equity Ratio | 4.0 | 6.3 |
| Total Liabilities (less effect of PFRS 16) to Total Equity | 8.0 | 12.0 |
| Total Liabilities to Total Equity | 8.9 | 13.6 |

Net Income Margin improved to 4.4% in the first half of 2023 vs. 0.9% in 2022. EBITDA improved 36% or ₱359M to ₱1.4B at 13.8% margin in the first half of 2023 compared to ₱1B and 11.5% in 2022. The improvements in 2023 are noted above.

Current Ratio is 0.9 as of June 30, 2023, higher than 0.6 as of December 31, 2022. Bank Debt to Total Equity decreased to 4.0 as of June 30, 2023 from 6.3 as of December 31, 2022 due to debt repayments and continuing profitability, while Total Liabilities to Total Equity decreased to 8.9 from 13.6. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity improved to 8.0 from 12.0.

The Group calculates the key financial ratios as follows:

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

Refer to 2GO's Group, Inc. and Subsidiaries unaudited interim consolidated financial statements as of and for the six months ended June 30, 2023 for details and disclosures.

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. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

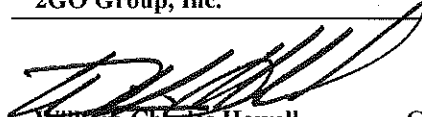
SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant

2GO Group, Inc.

Signature and Title


William Charles Howell

CFO

Date

AUG 9, 2023

REPUBLIC OF THE PHILIPPINES)
TAGUIG CITY, METRO MANILA) S.S.

CERTIFICATION

I, **ELMER B. SERRANO**, of legal age, Filipino and with office address at 1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City, Philippines after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly appointed Corporate Secretary of **2GO GROUP, INC.** (the **Corporation**), a corporation duly organized and existing under the laws of the Philippines, with SEC Registration No. 4409, and with offices at the 8th Floor, Tower 1, DoubleDragon Plaza, EDSA Extension cor. Macapagal Avenue, Pasay City.

2. That I have caused the preparation of this Definitive Information Statement (SEC Form 20-IS) on behalf of the Corporation;

3. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;

4. That the Corporation will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;

5. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and


6. That the e-mail account designated by the Corporation pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the Corporation in its online submissions to CGFD.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this OCT 10 2023 at Taguig City.


ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this OCT 10 2023 at Taguig City, affiant exhibited to me his Tax Identification No. 153-406-995.

Doc. No. 181
Page No. 38
Book No. I
Series of 2023.


JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-5675508; 01-04-23; Taguig City
IBP Receipt No. 279977; 01-10-23; Pasig City
Admitted to the Bar on June 2022