

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

MA. HENEDINA V. SAN JUAN

(Contact Person)

+63 82 224 5373

(Company Telephone Number)

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Month Day
(Fiscal Year)

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Definitive
(Form Type)

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Month Day
(Annual Meeting)

*Last Monday of March
of Each Year

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

26

Total No. of Stockholders

Total Amount of Borrowings

Domestic

8

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

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Document ID

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REVISED NOTICE AND AGENDA OF ANNUAL STOCKHOLDERS' MEETING

Please take notice that the Annual Meeting of Stockholders of **CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.** will be held on **Wednesday, June 3, 2020** at **2 p.m.** via Remote Communication (Zoom).

The Agenda for the meeting shall be as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Report of the President & CEO for the Year 2019
4. Report of the Chief Financial Officer for the Year 2019
5. Approval of the Minutes of the Annual Stockholders' Meeting held on March 15, 2019
6. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 14, 2019 until February 14, 2020
7. Election of Members of the Board of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Only stockholders of record as of **February 13, 2020** are entitled to notice of, and to vote at, this meeting. The Company has decided to retain the previously-set Record Date.

In view of the current COVID-19 pandemic and the Enhanced Community Quarantine in Metro Manila including Davao City where the Company's principal address is located, the physical and actual holding of the Annual Stockholders' Meeting cannot be conducted. In lieu thereof, the Annual Meeting on June 3, 2020 shall be conducted via live streaming.

Stockholders who intend to participate are required to register by sending an email, together with the requirements to ASM@chelsealogistics.ph on or before June 2, 2020 5PM (Philippine Time). Full list of requirements may be viewed on the following [link: https://www.chelsealogistics.ph/annual-stockholders-meeting/](https://www.chelsealogistics.ph/annual-stockholders-meeting/). The registration is subject to validation, and successful registrations will receive an electronic invitation via email, along with a complete guide on how to join, participate and vote in the Meeting.

Copies of the Notice of the Meeting, Annual Report, Definitive Information Statement and other related documents may be found on <https://www.chelsealogistics.ph/annual-stockholders-meeting/> and through the PSE Edge Portal.

Proxy Forms and Special Powers of Attorney or other Authorization forms are available in the Company's website must be submitted to the Office of the Corporate Secretary, 12th Fl., Udena Tower, Rizal Drive corner 4th Ave., Bonifacio Global City, Taguig City by mail or sent by email to asm@chelsealogistics.ph. Validation of proxies and registration shall commence on May 12, 2020

until 5 p.m. of May 29, 2020. Participation in the meeting as well as voting shall be through remote communication. Detailed Procedure for voting shall be posted on the Company's website.

Stockholders may also send your queries regarding the conduct of the Meeting to ir@chelseashipping.ph

There will be audio and visual recording of the Meeting.

Taguig City, May 8, 2020.

A handwritten signature in black ink, appearing to read 'H. San Juan', with a stylized flourish at the end.

MA. HENEDINA V. SAN JUAN
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement
of

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

Pursuant to Section 20 of the Securities Regulation Code (the "Code" or "SRC")

1. Check the appropriate box:

☐ Preliminary Information Statement
☒ Definitive Information Statement

2. Name of registrant as specified in its charter: CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(the "Company" or "CLIHC")

3. Country of Incorporation: REPUBLIC OF THE PHILIPPINES

4. SEC Identification Number: CS201619734

5. BIR Tax Identification Code: 009-393-167-000

6. Address of principal office: Stella Hizon Reyes Road, Bo. Pampanga
Davao City 8000

7. Registrant's telephone number: (082)224-5373

8. Date, time and place of the meeting of security holders:

a. Date - June 3 2020
Time - 2:00 P.M.
Place - Remote Communications via Zoom Application

In view of the current COVID-19 pandemic and the Enhanced Community Quarantine in Metro Manila including Davao City where the Company's principal address is located, the physical and actual holding of the Annual Stockholders' Meeting cannot be conducted.

9. Approximate date on which the Information Statement is first to be sent or given to stockholders:

May 15, 2020

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the SRC:

<u>Title of Each Class</u>	<u>Par Value</u>	<u>Number of Shares</u>
Common Shares	PhP 1.00	1,821,977,615

11. Are any or all of Company's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange – Common Shares

INFORMATION REQUIRED IN INFORMATION STATEMENT

B. GENERAL INFORMATION

Item 1. Date, time and place of meeting of stockholders

- a. Date - June 3 2020
- Time - 2:00 P.M.
- Place - Remote Communications via Zoom Application

In view of the current COVID-19 pandemic and the Enhanced Community Quarantine in Metro Manila including Davao City where the Company's principal address is located, the physical and actual holding of the Annual Stockholders' Meeting cannot be conducted.

- b. Approximate date when the Information Statement is first to be sent to stockholders:
May 15, 2020

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

Item 2. Dissenter's right of appraisal

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in case of any amendment to the Articles of Incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence, in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, and in case of merger or consolidation. Such appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the Company within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificate(s) of stock representing his shares to the Company for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights. No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the Company 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 Company and 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 Company within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: Provided, further, that upon payment by the Company of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

THERE ARE NO MATTERS THAT WILL BE PRESENTED FOR SHAREHOLDERS' APPROVAL DURING THE ANNUAL STOCKHOLDERS' MEETING THAT MAY OCCASION THE EXERCISE OF THE RIGHT OF APPRAISAL.

Item 3. Interest of certain persons in or opposition to be acted upon

- a. No Director or Officer of the Company since the beginning of the last fiscal year, nominee for election as Director of the Company, nor any of their associates, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Stockholders' Meeting, other than election to office.
- b. No Director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company during the meeting.

C. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. Voting Securities

As of December 31, 2019, the total number of shares outstanding and entitled to vote on all corporate matters to be acted upon during the Annual Stockholders' Meeting is 1,821,977,615 common shares.

b. Record Date

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Annual Stockholders' Meeting is **February 13, 2020**.

c. Voting Rights and Trust

In the matters to be voted upon in the Annual Stockholders' Meeting, stockholders of record as of February 13, 2020 shall be entitled to one vote per share in person or by proxy. If he will vote thru a proxy, the By-Laws of the Company requires the submission of the accomplished proxy form to the Corporate Secretary for validation and authentication at least ten (10) days before the date of the Annual Stockholders' Meeting.

The validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by the Stock and Transfer Agent shall be convened at least five (5) days before the Annual Stockholders' Meeting. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding upon the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the Annual Stockholders' Meeting.

With respect to the election of the members of the Board of Directors, cumulative voting is allowed. A stockholder may vote such number of shares for as many persons as there are Directors to be elected; or he may cumulate his shares and give one candidate

as many votes as the number of Directors to be elected multiplied by the number of his shares; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of Directors to be elected.

d. Security ownership of certain Record and Beneficial Owners and Management

i. Security Ownership of Certain Record / Beneficial Owners as of December 31, 2019

Title of Class	Name & Address of Record Owner & Relationship to Issuer	Name of Beneficial Owner & Relationship to Record Owner	Citizenship	No. of Shares	Percentage of Outstanding Shares
Common	Udenna Corporation Stella Hizon Reyes Road, Bo. Pampanga, Davao City <i>Stockholder</i>	Udenna Corporation	Filipino	1,275,384,606	70.000%
Common	PCD Nominee Corporation 29/F BDO Equitable Tower 8751 Paseo de Roxas, Makati City <i>Stockholder</i>	PCD participants acting for themselves or for their customers	Filipino	527,916,532	28.975%

**PCD Nominee Corporation is not a related Company*

Udenna Corporation is the holding company of the Uy family. It is directly owned by spouses Dennis A. Uy and Cherylyn C. Uy.

The 527,916,532 common shares under the name of PCD Nominee Corporation are owned by PCD participants acting for themselves or for their Filipino customers.

Other than the stockholders identified above, as of December 31, 2019, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities.

As of December 31, 2019, 0.91% or 16,506,960 common shares are owned by foreign stockholders.

ii. Security ownership of Directors and Management as of December 31, 2019

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Directors					
Common	Dennis A. Uy	Filipino	Direct Indirect	215,501 892,769,224	.01% 49.000%

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Common	Cherylyn C. Uy	Filipino	Direct Indirect	1 382,615,382	NIL 21.000%
Common	Chryss Alfonsus V. Damuy	Filipino	Direct	722,000	0.04%
Common	Eduardo A. Bangayan	Filipino	Direct	70,001	NIL
Common	Miguel Rene A. Dominguez	Filipino	Direct	200,001	0.01%
Common	Jesus S. Guevara II	Filipino	Direct Indirect	1 100,000	NIL 0.01%
Common	Gener T. Mendoza	Filipino	Direct	20,001	NIL
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	NIL
Executive Officers					
Common	Ignacia S. Braga IV	Filipino	Direct	802,000	0.04%
Common	Ma. Henedina V. San Juan	Filipino	Direct	219,000	0.01%
Common	Rodel V. Marqueses	Filipino	Direct	169,000	0.01%
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				1,278,208,414	70.160%

As of December 31, 2019, Directors and Executive Officers of the Company owned an aggregate of 1,278,208,414 shares of the Company, equivalent to 70.16% of the Company's total issued and outstanding shares.

iii. Voting trust holders of 5% or more

Other than those mentioned above, there are no persons holding more than five percent (5%) of a class under a voting trust or any similar agreements as of the date of this Report.

iv. Changes in control

The Company is not aware of any arrangements that may result in a change of control in the Company since the beginning of its fiscal year.

Item 5. Directors and Executive Officers

- a. The incumbent members of the Board of Directors and Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	46	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	46	Filipino
Director/Treasurer	Cherylyn C. Uy	40	Filipino
Director	Arthur Kenneth L. Sy	52	Filipino
Director	Efren E. Uy	58	Filipino
Director	Eduardo A. Bangayan	68	Filipino

Office/Position	Name	Age	Citizenship
Independent Director	Miguel Rene A. Dominguez	43	Filipino
Independent Director	Jesus S. Guevara II	65	Filipino
Independent Director	Gener T. Mendoza	62	Filipino

Office/Position	Name	Age	Citizenship
Executive Officers			
President & CEO	Chryss Alfonsus V. Damuy	46	Filipino
Treasurer	Cherylyn C. Uy	40	Filipino
Chief Financial Officer	Ignacia S. Braga IV	54	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	58	Filipino
Finance Controller	Rodel V. Marqueses	34	Filipino
Vice President – Port Operations and Marketing	Raul L. Quisumbing		Filipino
Compliance Officer	Leandro E. Abarquez	36	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	47	Filipino
Investor Relations Officer	Hannah Cecille L. Chan	31	Filipino

Information required of Directors and Executive Officers

i. Directors and Executive Officers

Board of Directors

The following are the final nominees who were duly screened by the Nomination Committee for election to the Board of Directors for the following fiscal year 2020 at the forthcoming Annual Stockholders' Meeting:

1. Dennis A. Uy
2. Chryss Alfonsus V. Damuy
3. Cherylyn C. Uy
4. Arthur Kenneth L. Sy
5. Efren E. Uy
6. Eduardo A. Bangayan
7. Miguel Rene A. Dominguez
8. Jesus S. Guevara II
9. Gener T. Mendoza

Miguel Rene A. Dominguez was nominated as Independent Director by Dennis A. Uy, while Jesus S. Guevara II was nominated as Independent Director by Chryss Alfonsus V. Damuy and Gener T. Mendoza was nominated as Independent Director by Ignacia S. Braga IV.

The nominees are not related by consanguinity or affinity and have no professional or business dealings with the person who nominated them. The nominees are neither officers nor substantial stockholders of the Company. They possess the qualifications and none of the disqualifications of Independent Directors. Prior to being elected as Director of the Company, they have not, at any time, rendered any service to the Company.

For the scheduled Annual Stockholders' Meeting, the Nomination Committee has screened and evaluated the candidates for Independent Directors based on Rule 38 of the Securities Regulation Code ("SRC") and the Company's Amended By-laws and Manual of Corporate Governance.

Below is a summary of the nominees' qualifications:

Dennis A. Uy
Chairman

Dennis A. Uy, Filipino, 46 years old, is the founder and the Chairman of Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC) since its incorporation. He served as President & CEO of CLIHC from incorporation until March 27, 2017. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of Phoenix Petroleum Philippines, Inc. (PPPI), and Udenna Corporation, the ultimate parent company of PPPI and CLIHC. He is also the President and CEO of ISM Communications Corp., Udenna Communications, Media and Entertainment Holdings Corp., Udenna Land Inc., Le Penseur Inc., PH resorts Group Inc., DITO Holdings Corp., Udenna Management & Resources Corp. (UMRC) and its subsidiaries. Among the subsidiaries of UMRC are Global Synergy Trade & Distribution Corporation, PN-X-UDENNA Insurance Brokers, Inc., ValueLeases, Inc. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines since November 2011. He has a degree in Business Management from De La Salle University.

Chryss Alfonsus V. Damuy
Director, President & CEO

Chryss Alfonsus V. Damuy, Filipino, 46 years old, has been a Director of CLIHC since its incorporation and was appointed President & CEO of the Company on March 27, 2017. He is the Chief Operating Officer of Chelsea Shipping Corp. and its subsidiaries namely PN-X-Chelsea Shipping Corp., Fortis Tugs Corporation, Michael, Inc., Bunkers Manila, Incorporated, Chelsea Ship Management & Marine Services Corp., and Chelsea Marine Manpower Resources, Inc. Mr. Damuy is currently the Vice Chairman of Trans-Asia Shipping Lines, Incorporated and its subsidiaries Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc. and Quality Metals & Shipworks, Inc. Prior to joining CLIHC, he was the Vice President for Finance of Phoenix Petroleum Philippines, Inc. and General Manager of Calaca Industrial Seaport Corp. Before that, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-Purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College. He is a Certified Public Accountant and has a degree in Bachelor of Science in Accountancy.

Cherylyn C. Uy
Director, Treasurer

Cherylyn C. Uy, Filipino, 40 years old, is a Director and Treasurer of CLIHC since February 10, 2017. She also serves as the Treasurer of Chelsea Shipping Corp. and its

subsidiaries. She is likewise a Director of Phoenix Petroleum Philippines, Inc. and the Corporate Treasurer of the Udenna Group of Companies and F2 Logistics, Inc. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business Finance.

Arthur Kenneth L. Sy

Director

Arthur Kenneth L. Sy, Filipino, 52 years old, has been a Director of CLIHC since March 27, 2017. He serves as President and CEO of Trans-Asia Shipping Lines, Incorporated, and currently the President and CEO of JGSY Marine and Allied Ventures Corp., Dynamic Cuisine, Inc., Starsy Shoppe, Inc., Sybu Real Estate Corporation, Oceanstar Shipping Corporation, Allmix Trading, Inc., Quality Metal and Shipworks Inc. and Funflatables Corporation. He holds degrees in the fields of business and engineering namely, Bachelor of Science in Business Administration from the University of San Carlos; Bachelor of Science in Marine Engineering, and Bachelor of Science in Mechanical Engineering from the University of Cebu.

Efren E. Uy

Director

Efren E. Uy, Filipino, 58 years old, has been a Director of CLIHC since March 27, 2017. Mr. Uy currently serves as the President and Chief Executive Officer of F2 Logistics Philippines, Inc., F2 Global Logistics, Inc., Agri Farmers, Inc., F8 Prime Transport Services, Inc., Ultimate Yellow Transport Services, Inc., Fmoves Transport Corp. and Miren Holdings, Inc. He has a degree in Bachelor of Science in Mechanical Engineering from University of San Carlos.

Eduardo A. Bangayan

Director

Eduardo A. Bangayan, Filipino, 68 years old, has been a Director of CLIHC since March 27, 2017. He is currently the President of Summit World Group of Companies, a Director for Fuji Oil Philippines and an Independent Director for Manila Mining Corporation. He is also the Vice President of the New Leyte Edible Oil Manufacturing Corporation. From 2004 until 2008, he served as Trustee of the Local Water Utilities Association. Mr. Bangayan served as a Director of the Davao City Water District since 2002 prior to his appointment as Chairman in January 2017 with a term until 2023. Further, he serves as an Independent Director of Rural Bank of Tagum from 2015 until present. He has a degree in Bachelor of Science in Business Administration from Silliman University.

Miguel Rene A. Dominguez

Independent Director

Miguel Rene A. Dominguez, Filipino, 43 years old, has been an Independent Director of CLIHC since March 27, 2017. He is currently the Vice President of Alsons Agribusiness Unit, Director of Sarangani Agricultural Company, Inc. and Director of Philippine Business for Social Progress. He served as Chairman of the Regional Peace and Order Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011) and Chairman of Regional Development Council of Region 12 (2007-2010). Mr. Dominguez was named an awardee for Governance and Public Service in the Ten Outstanding Young Men 2013 by the Junior Chamber International Philippines and the TOYM Foundation. He was the first awardee of the Jesse Robredo Leadership Award given the same year. He was governor of Sarangani province for three (3) consecutive 3-year terms that began in 2004. Prior to his

election as governor, he was the National Sales and Marketing Manager of the Alsons Aquaculture Corporation in 2003, earning for the brand “Sarangani Bay” a stronghold in the international markets, particularly in the US, Japan and Europe. He has a degree in AB Economics from Boston College in the US.

Jesus S. Guevara II

Independent Director

Jesus S. Guevara II, Filipino, 65 years old, has been an Independent Director of CLIHC since March 27, 2017. From 2009 to the present, he sits as Director of Lipa Bank, Inc. He served as Executive Vice President of the Development Bank of the Philippines, where he worked for eighteen (18) years. He was appointed Chairman of the Board of Phividec Industrial Authority. In the last (5) five years, he has served as Director for DBP Service Corporation, DBP Management Corporation, LGU Guarantee Corporation and DBP Insurance Brokerage, Inc. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master’s Degree in Industrial Relations.

Gener T. Mendoza

Independent Director

Gener T. Mendoza, Filipino, 62 years old, has been an Independent Director of CLIHC, since March 27, 2017. Mr. Mendoza is currently the President of GNCA Holdings, Inc. Apart from his assignment in GNCA, he serves as court-appointed rehabilitation receiver or liquidator for the following companies: Ensogo, Inc., Universal Rightfield Property Holdings, Inc., Pacific Activated Carbon Company, Inc., and Premium Agro-Vet Products, Inc. He also assists the liquidator of National Steel Corporation and Advent Capital Corporation. Previously, he was a Principal Partner of SyCip Gorres Velayo & Co., Vice President for Corporate Finance at Kuok Philippine Properties, Inc., and Executive Vice President of Crown Equities Inc. He serves as a Director of IPM Holdings Inc., ACM Landholdings, Inc., and Dualtech Training Center Foundation, Inc. He has a degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and Master’s Degree in Business Administration from Harvard Business School.

Period of Directorship in the Company

Name of Director	Period of Service	Term of Office
Dennis A. Uy	since incorporation to present	3 years
Chryss Alfonsus V. Damuy	since incorporation to present	3 years
Cherylyn C. Uy	since February 10, 2017 to present	3 years
Arthur Kenneth L. Sy	since March 27, 2017 to present	3 years
Efren E. Uy	since March 27, 2017 to present	3 years
Eduardo A. Bangayan	since March 27, 2017 to present	3 years
Miguel Rene A. Dominguez	since March 27, 2017 to present	3 years
Jesus S. Guevara II	since March 27, 2017 to present	3 years
Gener T. Mendoza	since March 27, 2017 to present	3 years

Directorships in Other Reporting Companies

The following are directorships held by the Directors in other reporting companies during the last five (5) years:

Name of Director	Name of Reporting Company	Position Held
Dennis A. Uy	Phoenix Petroleum Philippines, Inc.	Director, President and CEO
	2Go Group, Inc.	Chairman of the Board
	PH Resorts Group Holdings, Inc.	Chairman of the Board
	ISM Communications, Inc.	Chairman of the Board, President and CEO
	Atok-Big Wedge Co., Inc.	Vice Chairman
	Apex Mining Co., Inc.	Independent Director
Cherylyn C. Uy	Phoenix Petroleum Philippines, Inc.	Director
	PH Resorts Group Holdings, Inc.	Director
	ISM Communications, Inc.	Director / Treasurer
Eduardo A. Bangayan	Manila Mining Corporation	Independent Director
Gener T. Mendoza	IPM Holdings, Inc.	Director
	Pryce Corporation	Independent Director

Directorships with government agencies or its instrumentalities

Director Eduardo A. Bangayan is a member of the Board of Directors of the Davao City Water District and Director Jesus S. Guevara II is on the Board of Directors of Phividec

Industrial Authority. The written consent / permission issued by these government agencies / instrumentalities for these Directors to hold these positions are attached hereto as Annexes A and A-1 respectively.

There are no other Directors or officers of the Company connected with any government agency or its instrumentalities.

Certification of Independent Directors

The Certification of the Independent Directors of the Company, namely Miguel Rene A. Dominguez, Jesus S. Guevara II and Gener T. Mendoza, on their qualification as Independent Directors, are attached as Annex B, B-1 and B-2, respectively.

Executive Officers

The following Officers are expected to be nominated for re-election or election at the Organizational Meeting of the Board of Directors following the Annual Stockholders' Meeting on March 26, 2020:

Ignacia S. Braga IV

Chief Financial Officer

Filipino, 54 years old, is the Chief Financial Officer of CLIHC. She is also the Vice President for Finance of Udenna Corp., Udenna Management & Resources Corp. and Chelsea Shipping Corp. and its subsidiaries. She is the Treasurer of Starlite Ferries Inc. and its subsidiaries and Trans Asia Shipping Lines, Incorporated. Ms. Braga is a Certified Public Accountant with more than thirty (30) years of corporate finance and accounting experience. Prior to joining the Company, she was formerly the Assistant

Vice President – Group Controller of Lapanday Foods Corporation and former Controller of Macondary Agro-Industrial Corporation. She was the Finance Manager of RFM Tuna Corporation and the Asia Industries (Mindanao) Inc. She began her career as an auditor of Sycip Gorres Velayo & Co. in 1986. She is a Cum Laude graduate of Bachelor of Science Commerce Major in Accounting from Ateneo de Davao University.

Ma. Henedina V. San Juan

Corporate Secretary and Assistant Vice President for Legal and Corporate Affairs

Filipino, 58 years old, is the Corporate Secretary and concurrently the Assistant Vice President for Legal and Corporate Affairs of CLIHC. She also serves as the Corporate Secretary of Chelsea Shipping Corp. and its subsidiaries, and other Companies in the Udenna Group. Prior to joining the Company, she worked for Petron Corporation, Petronas Energy & Petroleum, Inc. and Herma Corporation. She has a degree in Bachelor of Arts in Political Science and Bachelor of Laws both from University of the Philippines.

Raul L. Quisumbing

Vice President – Port Operations and Marketing

Filipino, 49 years old, is the Vice President for Port Operations and Marketing of the Company. Prior to joining CLIHC, he served as Vice President for Commercial Services of Manila North Harbor Port, Inc. Previously he also served as Senior Logistics and Process Manager of Le Soleil Shipping Philippines; Senior Manager for Supply Chain at 2Go Aboitiz One and as AVP for Sales and Marketing at Starlite Cargo Express Inc. He is a graduate of AB Management of De La Salle University.

Rodel V. Marqueses

Finance Controller

Filipino, 34 years old, is the Finance Controller of the Company. Prior to joining CLIHC, he was an Audit Senior Manager of Punongbayan and Araullo. He is a Certified Public Account and has a degree in B.S. Accountancy from San Beda College.

Leandro E. Abarquez

Compliance Officer

Filipino, 36 years old, is the Compliance Officer of the Company. Prior to joining CLIHC, he was a Senior Associate at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles. He has a Bachelor's degree in Biology from the Ateneo de Manila University and obtained his Juris Doctor degree from the same university in 2009.

Maria Katherine A. Agbay

Chief Audit Executive

Filipino, 47 years old, is the Chief Audit Executive and Internal Audit Manager of the Company. Prior to joining CLIHC, she was an active Professional Practitioner in audit, insurance and real estate. She was previously a Lecturer at Far Eastern University – Makati and San Beda College, Manila; Vice-President - Audit and Systems Head and Finance Manager of Trust International Paper Corporation (TIPCO); Vice-President – Controller of subsidiary TIPCO Estates Corporation; Assistant Vice-President of Citibank and Accounting Manager of Kuok Philippine Properties, Inc. and KSA Realty Corporation. She started her career as an Auditor at SyCip, Gorres Velayo & Co. She is a Magna Cum Laude graduate of University of the East, Manila. She also has a Master's Degree in Business Administration from De La Salle University.

Hannah Cecille L. Chan
Investor Relations Officer

Filipino, 31 years old, is the Investor Relations Officer of the Company. She was formerly with Maybank ATR Kim Eng Securities as a Salesman and Business Development Manager for Retail Brokerage. Prior to that, she was a Compliance & Surveillance Officer for Philippine Dealing & Exchange Corp. She holds a Bachelor Degrees in Applied Economics and Management of Financial Institutions in De La Salle University-Manila.

Period of Service in the Company

Name of Executive Officer	Period of Service
Ignacia S. Braga IV	Since incorporation to present
Ma. Henedina V. San Juan	Since incorporation to present
Rodel V. Marqueses	September 16, 2016 to present
Raul L. Quisumbing	January 8, 2018 to present
Leandro E. Abarquez	April 3, 2017 to present
Maria Katherine A. Agbay	December 5, 2017 to present
Hannah Cecille L. Chan	January 20, 2020 to present

ii. Significant employees

No single person is expected to make a significant contribution to the Company's business since the Company considers the collective efforts of all its employees as instrumental to the Company's overall successful performance.

iii. Family relationships

There are no family relationships between any Directors and any members of the Company's senior management as of the date of this Information Statement, except for the following:

1. Spouses Dennis A. Uy (Chairman of the Board) and Cherylyn C. Uy (Treasurer)
2. Spouses Arthur Kenneth L. Sy (Director and Trans-Asia Shipping President) and Shiela Fay U. Sy (Trans-Asia Shipping VP for Marketing and Operations)
3. Siblings Arthur Kenneth L. Sy (Director and Trans-Asia Shipping President) and Judith Ann S. Sandoval (Trans-Asia Shipping AVP for Treasury and Administration Services)

iv. Involvement of Directors and Officers in certain legal proceedings

As of the date of this Information Statement, there are no other material legal proceedings involving CLIHC's Directors and Executive Officers except for the following:

1. *People of the Philippines vs. Dennis Ang Uy, John Does and/or Jane Does, Criminal Case Nos. 75,834-13 to 75,845-13 and 76,067-13 to 76,076-13, Regional Trial Court, 11th Judicial Region, Davao City, Branch 14*

On August 27, 2013, the DOJ filed twelve (12) Information before the Regional Trial Court of Davao (docketed as Criminal Case Nos.75,834-13 to 75,845-13) against Mr. Uy and several John Does and/or Jane Does in connection with the Resolutions dated April 24, 2013 and August 13, 2013 issued by the SOJ, finding probable cause against Mr. Uy for alleged violation of Section 3602 in relation to Sections 3601, 2530 (I)(1), (3), (4), and (5), Sections 1801,1802, 3604; and 2530 of the TCCP, as amended, and AO No.243, CAO No.3-2010 and CAO No.18-2010.

On September 5, 2013, an Entry of Appearance with Omnibus Motion (for Judicial Determination of Probable Cause and to Suspend Issuance and/or Service of Warrant of Arrest) dated September 3, 2013 was filed by Mr. Uy's counsel, which prayed for the dismissal of the criminal cases for lack of probable cause.

Thereafter, on September 11, 2013, the DOJ filed ten (10) additional Information against Mr. Uy and several John Does and/or Jane Does for alleged violations of the TCCP. These were docketed as Criminal Case Nos. 76,067-13 to 76,076-13.

On September 19, 2013, a Supplemental Motion for Judicial Determination of Probable Cause dated September 18, 2013 was filed by Mr. Uy's counsel, seeking the dismissal of the ten (10) additional criminal cases for lack of probable cause.

On October 14, 2013, the RTC issued an Order dismissing all the cases against Mr. Uy.

On November 15, 2013, a copy of the plaintiff People of the Philippines' Motion for Reconsideration with Urgent Motion for Inhibition of Judge George E. Omelio dated November 12, 2013 was received, to which Motion, Mr. Uy filed his Opposition.

On August 18, 2014, the RTC issued an Order denying the Motion for Reconsideration of the plaintiff. On October 27, 2014, the People of the Philippines filed its Petition for Certiorari with the Court of Appeals for the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court. Please see Item 2 below for status on the Petition for Certiorari.

2. *People of the Philippines vs. Hon. George E. Omelio, in his capacity as Presiding Judge of the Davao City Regional Trial Court, Branch 14, Hon. Loida S. Posadas-Kahugan, in her capacity as Acting Presiding Judge of the Davao City RTC, Branch 14, Dennis Ang Uy, John Does and/or Jane Does, CA-G.R.SP No.06500-MIN, Court of Appeals, Cagayan de Oro City, 23rd Division*

On October 27, 2014, petitioner People of the Philippines filed a Petition for Certiorari seeking the reversal of the Orders dated October 4, 2013 and August 18, 2014 issued by the trial court dismissing the cases filed against Dennis Ang Uy. The respondents filed their Comment to said Petition for Certiorari, and the parties subsequently filed their respective Memoranda. In its Decision dated October 12, 2016, the Court of Appeals denied the Petition for Certiorari filed by the People of the Philippines. On November 7, 2016, the People of the Philippines filed its Motion for Reconsideration of the Decision dated October 12, 2016. In its Resolution dated 25 January 2017, the Court of Appeals denied the petitioner's Motion for Reconsideration. On 27 March 2017, the petitioner filed its Petition for Review on Certiorari with the Supreme Court which was docketed as G.R.No. 229705, 3rd Division, Manila.

3. *Dennis A. Uy vs. Hon. Secretary of the Department of Justice Leila M. De Lima and the Bureau of Customs, CA-G.R.SP No. 131702, Court of Appeals, Manila, Special Former Special Tenth Division*

There being no appeal or any other plain, speedy and adequate remedy in the ordinary course of law available to question and seek the reversal of the Resolutions dated April 24, 2013 and August 13, 2013 issued by the SOJ finding probable cause against Mr. Uy for alleged violation of the TCCP and other related rules and regulations, Dennis A. Uy filed a Petition for Certiorari with the Court of Appeals on September 4, 2013.

On September 10, 2013, petitioner filed a Motion for Consolidation seeking the consolidation of this case with the Petition for Certiorari (with Application for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) filed by Jorlan Cabanes, docketed as CA-G.R.SP No.129740. The Motion for Consolidation was granted in the Resolution dated November 6, 2013. Thereafter, all the parties filed their respective Memoranda. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari and declaring the Resolutions dated April 24, 2013 and August 13, 2013 nullified and set aside, and directing that the Information filed against Dennis Uy and Jorlan C. Cabanes before the Regional Trial Courts of Batangas City and Davao City be withdrawn and/or dismissed for lack of probable cause. A Motion for Reconsideration of the Decision dated July 25, 2014 was filed by respondents SOJ and Bureau of Customs. On July 23, 2015, the Court of Appeals issued its Resolution denying respondents' Motion for Reconsideration. On September 10, 2015, petitioner received a copy of the Motion for Extension to File Petition for Review on Certiorari filed by the respondents with the Supreme Court.

4. *Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Jorlan Cabanes, and Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Dennis A. Uy, G.R. No. 219295-219296, Supreme Court, 2nd Division*

On October 8, 2015, respondents Jorlan C. Cabanes and Dennis A. Uy received a copy of the Petition for Review on Certiorari dated September 8, 2015 filed by petitioners SOJ and Bureau of Customs seeking to set aside the Court of Appeals' Decision dated July 25, 2014 and the Court of Appeals' Resolution dated July 2, 2015. The Supreme Court required the parties to file their respective Memoranda, which the parties complied with. On December 12, 2016, the Supreme Court issued its Notice of Resolution dated November 16, 2016 noting the parties' Memoranda.

In a 'Manifestation in Lieu of Reply' filed by the Office of the Solicitor General on 10 July 2019, the Secretary of Justice prayed that the Manifestation be duly considered and to dismiss all three (3) Petitions without prejudice to the possible filing, if the Court desires, of Supplemental Memoranda from the parties.

5. *People of the Philippines v. Prospero Pichay, Eduardo Bangayan, et.al., SB Criminal Case Nos. SB16CRM0425-30*

These cases charge Mr. Eduardo Bangayan for (a) violation of Section 3(e) of R.A. 3019; (b) violation of Section X126.2(C)(1)(2) of the Manual of Regulation for Banks in relation to Sections 36 and 37 of R.A. No. 7653; and, (c) committing Malversation of Public Funds under the Revised Penal Code, for allegedly conspiring with the other accused in the (a) Local Water Utilities Association's (LWUA) purchase of 445,377 shares in Express Savings

Bank, Inc. (ESBI) and release from the LWUA Fund of at least PhP800,003,070.51 in connection with the said purchase of shares; and, (b) LWUA's deposit and/or capital infusion of the PhP400,000,000.00 and deposit of PhP300,000,000.00 with ESBI, as well as the release of the foregoing amounts from the LWUA Fund.

Mr. Bangayan sought for the dismissal of the criminal cases against him based on his defense that he had acted in good faith, upon the honest belief and based on information made available to him, that LWUA's acquisition of ESBI had the approval of the BSP and complied with all applicable laws and regulations, and that there was no prima facie evidence on his alleged conspiracy, hence, there is no probable cause to indict him for any of the alleged offenses.

The Sandiganbayan dismissed the case insofar as Mr. Bangayan is concerned through its Resolution dated October 18, 2016. The prosecution moved for reconsideration thereof. On 17 November 2017, the Sandiganbayan issued its Resolution denying the prosecution's Motion for Partial Reconsideration, and thus affirmed the dismissal of all cases against Mr. Bangayan.

Claiming grave abuse of discretion on the part of the Sandiganbayan, the prosecution filed its Petition for Certiorari with the Supreme Court. Mr. Bangayan filed his Comment / Opposition dated 1 June 2018 to the prosecution's Petition for Certiorari. The said Petition for Certiorari is pending resolution by the Supreme Court.

6. *Field Investigation Office (Office of the Ombudsman) v. Prospero Pichay, Eduardo Bangayan, et.al., OMB Case No. C-C15-0007*

Mr. Bangayan is being charged, together with four members of the LWUA Board, and other officials of the LWUA Management with alleged violations of (a) Malversation of Public Funds under Article 217 of the Revised Penal Code and, (b) Section 3(e) and (g) of R.A. 3019.

These charges are in connection with the use of LWUA corporate funds in extending loans to water districts nationwide under the Non-LWUA Initiated Funds (NLIF) Project from 2009 to 2011, which stemmed from the approval of the LWUA Board of Board Resolution No. 19, Series of 2009, upon the recommendation made and data provided to the Board by the LWUA Management.

For his defense, Mr. Bangayan argued that (a) his appointment as Trustee of the LWUA from September 2008 to March 2009 did not have legal effect; (b) he acted in good faith in voting for the use of the NLIF under said Board Resolution because he made it on the basis of the recommendation made as well as data given by the LWUA Management to the LWUA Board; and, (c) the Office of the Government Corporate Counsel did not specifically find any fault on the part of the LWUA Board.

On July 7, 2017, Mr. Bangayan through counsel, requested the Office of the Ombudsman for the status of the instant case. In its letter dated July 7, 2017, the Office of the Ombudsman stated that the case is still ongoing preliminary investigation and that there has been no resolution, orders, notices and/or pleadings issued and/or filed from June 2015. To date, Mr. Bangayan has not received any notice of the outcome of the preliminary investigation of this case.

7. *Ombudsman v. Bundoc, et. Al., G.R. No. 225521-28, Supreme Court, First Division*

On November 2012, the Office of the Ombudsman issued a review decision finding certain individuals, including Jesus S. Guevara II, guilty of Grave Misconduct and Conduct Prejudicial to the Best Interest of the Service. On November 2015, the Court of Appeals set aside the decision, which prompted the Office of the Ombudsman to file a motion for reconsideration. The Court of Appeals denied such motion for reconsideration on June 2016. A petition for review on certiorari was filed by the Office of the Ombudsman before the Supreme Court on August 2016. The Supreme Court in its Order dated December 1, 2016 and received on March 30, 2017, ordered the respondents including Jesus Guevara II to comment on the Petition filed by the Ombudsman. The respondents including Jesus Guevara II seasonably filed their Comment before the Supreme Court.

Other court cases typical and customary in the course of the business operations of the Company such as those, among others, involving collection, qualified theft, breach of contract and reckless imprudence have been filed by and against the Company, by and against its employees and/or third parties. The results of which will not significantly affect the financial standing of the Company.

Except for the above, to the best of the Company's knowledge there has been no occurrence during the past five (5) years up to the date of this Information Statement of any of the following events which are material to an evaluation of the ability or integrity of any Director, person nominated to become a Director, executive officer, or control person of the Company:

- Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;
- Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Any final and executory order, judgment, or decree or any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and
- Any final and executory judgment by a domestic or foreign court or competent jurisdiction (in a civil action), the Commission, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

There are no other pending legal cases as far as records of the Company is concerned.

b. Certain relationships and related transactions

The Company's related parties include its parent company, related parties under common ownership, the Company's key management personnel and stockholders.

A summary of the Company's and its Subsidiaries' transactions with its related parties for the periods ended December 31, 2019 and 2018 and the related outstanding balances as of December 31, 2019 and 2018 is presented below.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2019	2018	2017	2019	2018
Parent —						
Cash advances granted	19.4	(P 2,283,754,735)	P 518,714,995	P 2,428,234,009	P 663,194,269	P 2,946,949,004
Associate —						
Chartering of services rendered	19.1	237,132,921	376,645,369	69,405,000	18,525,327	38,277,400
Related parties under common ownership:						
Chartering of services rendered	19.1	987,960,089	680,403,799	531,535,742	305,378,198	185,639,320
Fuel purchases	19.2	1,769,113,489	1,504,293,849	363,571,237	(1,050,164,518)	(67,824,287)
Acquisition of SFFC's shares	19.6	650,000,000	-	-	(640,956,087)	-
Acquisition of CSC's shares	19.6	-	-	-	(500,000,000)	(500,000,000)
Rental income	19.3	3,003,290	5,072,938	5,044,967	-	571,219
Rental expense	19.3	644,065	2,825,746	2,295,681	(57,748)	(408,341)
Donation	19.8(b)	360,000	360,000	360,000	(30,000)	(210,000)
Cash advances granted	19.4	(29,548,339)	120,405,421	(194,446,078)	151,057,866	180,606,205
Cash advances obtained	19.4	1,078,717,998	(1,004,673,484)	955,012,897	(1,114,816,666)	(36,098,668)

Unless otherwise stated, the outstanding receivables and payables from and to related parties are unsecured, non-interest bearing and are generally settled in cash upon demand or through offsetting arrangement with the related parties.

In addition, the following table presents the outstanding balance of advances to officers and employees of the Company as of:

	2019	2018
Advances to officers and employees	PhP24,263,784	PhP60,134,374

Advances to officers and employees represent unsecured, non-interest bearing cash advances for business-related expenditures and are subject to liquidation.

c. Ownership structure and parent company

As of December 31, 2019, Udenna Corporation owns 70.00% of the outstanding shares of the Company.

d. Resignation of Directors

Since the organizational meeting of the Company on March 15, 2019, no Director or Officer has resigned because of a disagreement with the Company on any matter relating to the Company's issuance, operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

The Company's executive officers are regular employees entitled to a 12-month compensation package and other mandatory pay and benefits. They also receive performance bonuses similar to those of the managerial, supervisory and technical employees.

The members of the Board of Directors who are not employees of the Company are elected for a period of one (1) year. The Company pays its non-executive Directors a per diem of Php30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

The members of the Board of Directors are elected for a period of one (1) year.

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the executive officers of the Company are as follows:

Compensation of Executive Officer and Directors (in PhP millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Estimated Compensation For the Year Ended December 31, 2020			
Chryss Alfonsus V. Damuy President & CEO				
Cherylyn C. Uy Treasurer				
Ignacia S. Braga IV Chief Financial Officer				
Arthur Kenneth L. Sy President – Trans-Asia Shipping				
Dexter A. Silva President – Worklink Services				
Irwin M. Montano Chief Operating Officer - Starlite Ferries				
Raul L. Quisumbing Vice President – Marketing & Port Operations				
CEO & Most Highly Compensated Executive Officers	43.07	0.25	7.33	50.64
All other officers as a group unnamed	21.02	0.27	0.84	22.13

Compensation of Executive Officer and Directors (in PhP millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Actual Compensation For the Year Ended December 31, 2019			
Chryss Alfonsus V. Damuy President & CEO				
Cherylyn C. Uy Treasurer				
Ignacia S. Braga IV Chief Financial Officer				

Compensation of Executive Officer and Directors (in PhP millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Actual Compensation For the Year Ended December 31, 2019			
Irwin M. Montano Chief Operating Officer Starlite Ferries, Inc.				
Ma.Henedina V. San Juan Corporate Secretary and AVP for Legal and Corporate Affairs				
CEO & Most Highly Compensated Executive Officers	26.38	1.11	8.32	35.81

Compensation of Executive Officer and Directors (in PhP millions)				
Name and Principal Position	Salary	Bonus	Other	Total
	Actual Compensation For the Year Ended December 31, 2018			
Chryss Alfonsus V. Damuy President & CEO				
Cherylyn C. Uy Treasurer				
Ignacia S. Braga IV VP – Finance				
Irwin M. Montano VP – Human Resources				
Ma.Henedina V. San Juan Corporate Secretary and AVP for Legal and Corporate Affairs				
CEO & Most Highly Compensated Executive Officers	19.6	8.6	6.1	34.3
All other officers as a group unnamed	4.3	0.9	-	5.2

Generally, a typical employment contract executed between the Company and its named executive officers has the following terms:

- Specification of job title, commencement date of employment, work assignment and possible need for reassignment of work or location as the need may arise.
- Probation of six months from commencement of employment. If the job performance is found to be satisfactory, employment shall be converted to regular status.

- c. **Salary & Benefits:** specifies that the executive officer shall receive his or her monthly salary and a guaranteed 13th month pay less the necessary government deductions required by law, such as but not limited to SSS premium, PHILHEALTH, and PAG-IBIG contributions. The same section likewise provides that the executive's salary shall be subject to annual review which shall take into consideration his or her performance and the achievement of a mutually-agreed goals.
- d. **Exclusivity:** The employment contract states that the executive shall render exclusive service to the Company and to work with other companies, regardless of whether such work is done outside of office hours, without the consent of the Company, is prohibited.
- e. **Confidentiality:** The executive is duty bound to keep confidential information, materials and records which he or she may access in the course of his or her employment with the Company and he or she may not disclose or reproduce the same without the consent of the Company.
- f. **Professional Conduct:** The executive concerned is expected to comply with all the policies and procedures which the Company may issue from time to time. It is specifically prohibited to accept any or all kinds of gifts from suppliers and customers without the consent of the Company.

Employees' Stock Option Plan (ESOP)

The Company has an existing Stock Option Plan which was approved by the stockholders and the Board of Directors on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the Company's employees, thereby encouraging long-term commitment to the Company.

Under the ESOP, the Company shall initially reserve for the exercise of stock options up to 56.3 million of the Company's outstanding Common Shares to be issued in whole or in part out of the authorized but unissued shares, with 66.67% to be granted to existing employees as of the Initial Offering Date (IOD) while the remaining 33.33% is reserved for employees hired after the IOD. Stock options may be granted within 5 years from the adoption of the ESOP and may be exercised within 10 years from the date of grant. The exercise price was based on the volume weighted average price of the Company 30 days prior to the IOD. The stock options shall vest for 1 to 5 years from the IOD. The Company shall receive cash for the stock options.

Shown below are the information on options held by Directors and Officers of the Company.

Options Held by Directors and Executive Officers						
Name and Principal Position	Options Granted	Vesting Period				
		2020	2021	2022	2023	2024
Dennis A. Uy Chairman of the Board	6,762,685	1,352,537	1,352,537	1,352,537	1,352,537	1,352,537
Chryss Alfonsus V. Damuy President & CEO						
Cherylyn C. Uy Treasurer						
Ignacia S. Braga IV Chief Financial Officer						
Arthur Kenneth L. Sy President, Trans-Asia						
Dexter A. Silva President, Worklink						
Irwin M. Montano Chief Operating Officer, Starlite						
Raul L. Quisumbing Vice President - Marketing & Port Operations						
CEO and Most Highly Compensated Executive Officers	6,887,926	1,377,585	1,377,585	1,377,585	1,377,585	1,377,585
All Other Officers of the Company	1,151,408	230,282	230,282	230,282	230,282	230,282

Item 7. Independent Public Accountants

Punongbayan & Araullo (P&A), a member firm of Grant Thornton International Ltd., independent auditors, audited the Company's financial statements as at and for the years ended December 31, 2018 and 2019 in accordance with the Philippine Standards on Auditing.

P&A has acted as CLIHC's external auditor since incorporation. Ramilito L. Nanola is the assigned audit partner and has served as such since 2016. The Company has not had any material disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim period. P&A has neither shareholding in CLIHC nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

Representatives of Punongbayan & Araullo are expected to be present at the Annual Stockholders' Meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

The following table sets out the aggregate fees billed to the Company and its subsidiaries for each of the last two fiscal years for professional services rendered by its external auditor. P&A does not provide other services that are not reasonably related to the performance of the audit or review of CLIHC's financial statements.

	2017	2018	2019
Audit Fees	PhP3,691,500	PhP4,577,000	PhP4,715,000

Audit and audit related fees refer to the professional services rendered by P&A for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services.

Audit Committee and Policies

CLIHC's Audit Committee shall be composed of at least three (3) qualified non-executive Directors, the majority of whom, including the Chairman, should be Independent. All of the members of the Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other Committees.

The Audit Committee has the following functions:

- a. Provide oversight of Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- b. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- c. Review the annual internal audit plan to ensure its conformity with the Company's objectives. The plan shall include the audit scope, resources and budget necessary to implement it;
- d. Prior to the commencement of an audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- e. Organize an internal audit department, and consider, when necessary and desirable the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- f. Monitor and evaluate the adequacy and effectiveness of CLIHC's internal control system including financial reporting control and information technology security;
- g. Review the reports submitted by the internal and external auditors;
- h. Review the quarterly, half-year and annual financial statements before their submission to the Board of Directors, with particular focus on the following matters: any change(s) in accounting policies and practices; major judgment areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;
- i. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- j. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to our overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in our annual report; and
- k. Establish and identify the reporting line of CLIHC's internal auditor to enable him to properly fulfill his duties and responsibilities. It shall functionally report directly to the Audit Committee.

CLIHG's Audit Committee shall ensure that its internal auditor in the performance of its work shall be free from interference by outside parties. In addition, the Audit Committee shall be tasked to prepare the Audit Committee Charter (the Charter), which shall contain, among others, its purpose, membership, structure, operations, reporting process, resources and other relevant information. The Charter shall specify how the Audit Committee shall perform its oversight functions as prescribed by the Revised Code of Corporate Governance (the Code).

In the preparation of the Charter, the Audit Committee shall strictly observe the requirements of the Code and other applicable laws and regulations in the Philippines and shall align the Charter with the best practices and standards as provided for in any or combination of the reference guides indicated in SEC Memorandum Circular No. 4, Series of 2012.

Upon approval by the Audit Committee of the Audit Committee Charter, the same shall be submitted for the approval of CLIHG's Board of Directors. Within one year from listing date, the Audit Committee shall assess its performance, as prescribed by and pursuant to SEC Memorandum Circular No. 4, Series of 2012.

Gener T. Mendoza is CLIHG's Audit Committee Chairman, with Dennis A. Uy and Jesus S. Guevara II as members.

Changes in and Disagreements with Accountants

The Company has not had any disagreement with its current external auditor/independent public accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 8. Compensation Plans

No action is to be taken by the Company with respect to any compensation plans.

D. ISSUANCE AND EXCHANGE SECURITIES

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

No action is to be taken by the Company with respect to authorization or issuance of securities other than for exchange.

Item 10. Modification or Exchange of Securities

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

No action is to be taken with respect to financial and other information.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to mergers, consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to acquisition or disposition of property.

Item 14. Reclassification of Accounts

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

E. OTHER MATTERS**Item 15. Action with Respect to Reports and Other Proposed Action**

1. Approval of the Minutes of the Annual Stockholders' Meeting held on March 15, 2019.
2. Report of the President & CEO for the Year 2019
3. Report of the Chief Financial Officer for the Year 2019
4. Ratification and Confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 14, 2019 until February 14, 2020 as set forth in Annex "B".
5. Election of the Members of the Board of Directors
6. Appointment of External Auditor

The Agenda for the March 15, 2019 Annual Stockholders' Meeting held at Davao City, the Agenda was as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Report of the President & CEO for the Year 2018
4. Approval of the Minutes of the Annual Stockholders' Meeting held on March 19, 2018
5. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 23, 2018 until February 13, 2019
6. Amendment of Articles of Incorporation of the Corporation, Article 1 – Change of Corporate Name
7. Employee Stock Option Plan
8. Election of the Members of the Board of Directors
9. Delegation to the Board of Directors of the Authority to Appoint the Company's External Auditor
10. Other Matters
11. Adjournment

At the March 15, 2019 Annual Stockholders' Meeting, after a discussion of each item, and opportunity given to the shareholders present to ask questions thereon, approval of the following matters took place : approval of the Minutes of the 19 March 2018 Annual

Stockholders' Meeting; ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 23 February 2018 to 13 February 2019; approval of the amendment of the Articles of Incorporation of the Corporation to change the name to "Chelsea Logistics and Infrastructure Holdings Corp."; approval of the Employees' Stock Option Plan; election of the members of the Board of Directors; and delegation to the Board of Directors of the authority to appoint the External Auditors of the Company. The stockholders were also informed of the change in the trading symbol of the Company from "CLC" to "C".

At the meeting, 70.18% of the total number of outstanding shares (1,821,977,615) was present in person or by proxy, and voted on the above matters. Udenna Corporation, the shareholder which holds 70% of the total outstanding shares, was represented by Leandro E. Abarquez.

With the exception of Directors Jesus S. Guevara II and Miguel Rene A. Dominguez, the 7 other Directors of the Company were present at the March 19, 2019 Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

There are no actions to be taken with respect to any matter, which are not required to be submitted to a vote by security holders.

Item 17. Amendment of Articles of Incorporation, By-Laws or Other Documents

There will be no amendment of the Articles of Incorporation, By-Laws or other documents.

Item 18. Other Proposed Action

- a. Ratification and confirmation of all acts and resolutions of the Board and Management executed in the normal course of business covering the period February 14, 2019 until February 14, 2020 as set forth in **Annex C**.
- b. Election of the members of the Board of Directors
- c. Delegation to the Board of Directors of the Authority to Appoint the Company's External Auditors for the Year Ending December 31, 2020.

Item 19. Voting Procedures

Under the Corporation Code, the affirmative vote of stockholders representing at least two thirds (2/3) of the outstanding capital stock of the Company shall be necessary for the approval of the proposed amendment to the Articles of Incorporation and the investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

Except in cases provided above, or where the law provides otherwise, all matters subject to vote shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

Stockholders of record are entitled to one (1) vote per share. There is no manner of voting prescribed in the By-Laws of the Company. Hence, voting may be done by viva voce, raising of hands or by balloting.

The Stock and Transfer Agent of the Company, BDO Unibank, Inc. – Trust and Investments Group, Securities Service and Corporate Agencies Department (BDO Trust), will validate the votes when voting is done by secret ballot. Likewise, BDO Trust will count the number of hands raised when voting by show of hands is done.

Upon the written request of the stockholders, the Company hereby undertakes to provide said stockholder with a copy of SEC Form 17-A free of charge. Any written request shall be addressed to:

MA. HENEDINA V. SAN JUAN

Corporate Secretary
12th Floor Udenna Tower
Rizal Drive corner 4th Avenue
Bonifacio Global City, Taguig City 1634

After reasonable inquiry to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Taguig on the 14th day of May 2020.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

BY:


MA. HENEDINA V. SAN JUAN
Corporate Secretary

**ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS
FOR THE PERIOD COVERING
MARCH 14, 2019 TO FEBRUARY 14, 2020**

14 March	<ul style="list-style-type: none"> • Designation of the Corporation's Chief Financial Officer Ignacia S. Braga IV as authorized signatory for the Corporation's request for Tax Clearance from the Bureau of Internal Revenue in connection with the Corporation's proposal for Davao (Sasa) Port filed with the Philippine Ports Authority. • Authority of the Corporation to secure from the Bureau of Internal Revenue certified true copies of its Income Tax Return for 2017; Authority for Janel Lagahit or Raymart Jutba or Ianna Ren Pandian to file with the Bureau the necessary request for this transaction. • Authority for the Corporation to act as surety / co-maker for Trans-Asia Shipping Lines, Incorporated for the latter's loan obligation to China Banking Corporation; Designation of any one of the following officers: President & CEO Chryss Alfonsus V. Damuy or Chief Financial Officer Ignacia S. Braga IV as the authorized signatories for this transaction with the Bank. • Authority for the Corporation or its nominated subsidiary to enter into a Bareboat Charter Purchase Agreement with Southern Pacific Holding Corporation for one (1) newly-built Roll-on / Roll-off Vessel (Hull No.S-1191); Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy as authorized signatory for the Bareboat Charter Purchase Agreement and other documents to be executed with Southern Pacific Holding Corporation.
15 April	<p>Authority for the Corporation to file its Application for Authority to Print for the production / reproduction of receipts such as, but not limited to, Official Receipt, Acknowledgment Receipt, Billing Statement, Purchase Order, Debit / Credit Memo, and other documents pertaining to said application with the Bureau; Authority for Curacha Printing represented by Purificacion R. Cabingao or Joselyn R. Tumamao to transact with the Bureau regarding this application of the Corporation.</p>
13 May	<p>Authority for the Corporation to cause the subdivision of the Ligid Tipas, Taguig City property into two (2) parcels of land and to cause the issuance of two (2) separate Transfer Certificates of Titles for these parcels of land by the Register of Deeds / Land Registration Authority; Designation of the Corporation's Chief Financial Officer Ignacia S. Braga IV as authorized signatory for the Corporation's applications with the Register of Deeds, Land Registration Authority and other government agencies to implement the intended subdivision of property.</p>
20 May	<ul style="list-style-type: none"> • Authority for the Corporation to file its application for re-issuance of its 2019 Business Permit with the City Government of Davao and its registration with the Bureau of Internal Revenue in connection with the new corporate name "Chelsea Logistics and Infrastructure Holdings Corp."; Designation of the Corporation's Chief Financial Officer Ignacia S. Braga IV as authorized signatory for the applications for re-issuance of the 2019 Business Permit and BIR Registration of the Corporation.

	<ul style="list-style-type: none"> • Authority for the Corporation to enter into a Shareholders' Agreement and Amended and Restated Investment Agreement in connection with Mindanao Islamic Telephone Co.; Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy as authorized signatory for these Agreements.
3 June	<ul style="list-style-type: none"> • Authority for the Corporation to enter into transactions and contracts with, and/or avail of products, facilities, services of PLDT Inc. and any of its subsidiaries and affiliates including but not limited to Smart Communications, Inc., Digitel Mobile Philippines, Inc. and ePLDT, Inc. (hereinafter referred to as "PLDT Group"); Designation of the Corporation's Chryss Alfonsus V. Damuy as authorized signatory for all transactions with PLDT Group.
12 June	<ul style="list-style-type: none"> • Authority for the Corporation to enter into a Shipbuilding Contract with Fukuoka Shipbuilding Co., Ltd. for the construction of one (1) Bed/Seat Ro-Ro Type Passenger Ferry (F-1351); Designation of the Corporation's Chairman of the Board Dennis A. Uy as the authorized signatory of the Corporation for said Contract.
3 June	<ul style="list-style-type: none"> • Authority for the Corporation or its nominated subsidiary to enter into a Bareboat Charter Purchase Agreement with Southern Pacific Holding Corporation for one (1) newly-built Roll-on / Roll-off Vessel (Hull No. F-1351); Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy as authorized signatory for the Bareboat Charter Purchase Agreement and other documents to be executed with Southern Pacific Holding Corporation.
19 June	<ul style="list-style-type: none"> • Designation of the Corporation's Finance Manager Annabelle A. Sanchez as authorized signatory of the Corporation for the Taxpayers-Users Sworn Statement and other documents which may be required in connection with the Corporation's application for Authority to Print SAP Forms with the Bureau of Internal Revenue.
8 July	<ul style="list-style-type: none"> • Designation of signatories for the Corporation's Unsolicited Proposal for the development and management of the Davao (Sasa) Port filed with the Philippine Ports Authority to wit: Manuel T. Jamonir, Raul L. Quisumbing, Atty. Nicolette Cruz, Andreau Narte, Alyosha Medina, Laia Galvan, Noel Tan, Berado Emocling and Elena Celendron. • Authority for the Corporation's Accountant Janel Lagahit to sign and deliver in behalf of the Corporation its request/ application for issuance of a certified true copy of its Business Permit from the Business Bureau of Davao City; Authority for Jessie Dador or Raymart Jutba to receive the certified true copy of said Business Permit. • Authority for the Corporation to apply, secure and obtain the guarantee of Trade and Investment Development Corporation of the Philippines (Philippine Export-Import Credit Agency) for loans which the Corporation may obtain from nominated banks/ financial institutions; Designation of either of the Corporation's President and CEO Chryss Alfonsus V. Damuy or the Corporation's Chief Financial Officer Ignacia S. Braga IV as authorized signatory of the Corporation for the Letter Application, Guarantee Agreement, Confidential Client Information Sheet, Affidavit of Default and all other documents which may be required by Philippine Export-Import Credit Agency. • Authority for the Corporation to assign and transfer to Starlite Gallant Ferries, Inc. (SGFI) all its interests and obligations in the

	<p>Shipbuilding Contract dated 25 April 2018 executed by the Corporation with Kegoya Dock Co., Ltd. for the construction of one (1) Bed/Seat Roro Type Passenger Ferry with Builder's No. S-1190; Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy as authorized signatory for the Memorandum of Agreement to be executed with SGFI to implement this assignment and transfer.</p> <ul style="list-style-type: none"> • Authority for the Corporation to act as Surety for all obligations of Worklink Services, Inc. with China Banking Corporation; Designation of Dennis A. Uy as Class A signatory authorized to sign transactions in any amount; Chryss Alfonsus V. Damuy and Ignacia S. Braga IV as Class B signatories authorized to sign jointly for documents necessary to implement this Resolution.
5 August	<ul style="list-style-type: none"> • Authority for the Corporation to assign and transfer to Starlite Gallant Ferries, Inc. all its interests and obligations under the Shipbuilding Contract dated 25 April 2018 executed with Kegoya Dock Co.,Ltd. for the construction of one (1) Bed / Seat Roro Type Passenger Ferry (No.S-1190); Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy as authorized signatory for the Memorandum of Agreement to be executed to implement this assignment and transfer. • Designation of Ma.Henedina V. San Juan and Rodel V. Marqueses as authorized representatives of the Corporation for the NLRC Conference of NLRC-NCR-07-00033-19, authorized to enter into any conciliation-mediation, and to sign and execute and and all documents that may be necessary for said conciliation-mediation.
8 August	<ul style="list-style-type: none"> • Authority for the Corporation to act as Continuing Surety for all obligations arising from and in connection with all credit accommodations extended and that may be extended in the future to Worklink Services, Inc. by BDO Leasing and Finance, Inc.; Designation of any one of Dennis A. Uy or Chryss Alfonsus V. Damuy as authorized signatory for all transactions with the Bank. • Authority for the Corporation to act as Surety for all loan / credit accommodations/ obligation granted by Union Bank of the Philippines to Chelsea Shipping Corp. in the amount of Two Hundred Forty Million Pesos (P 240,000,000.00); Designation of any one of Dennis A. Uy or Chryss Alfonsus V. Damuy as authorized signatory for all documents / transactions to implement this Resolution. • Authority for the Corporation to apply for, negotiate and obtain loans from China Banking Corporation and/or China Banking Corporation – Trust and Asset Management Group; Designation of Dennis A. Uy as Class A signatory authorized to sign transactions in any amount; Chryss Alfonsus V. Damuy and Ignacia S. Braga IV as Class B signatories authorized to sign jointly for documents necessary to implement this Resolution. • Designation of Ignacia S. Braga IV as authorized signatory of the Corporation for its request for a certified true copies of TCT No. 164-2018001752 and Tax Declaration on Land and Improvements from the Registry of Deeds of Taguig City; Authority for any one (1) of Cristine Ayles, Rolando Laurilla, Eduardo Magalit or Francis Delicana to process and transact with the Registry of Deeds of Taguig City for these documents.

22 August	<ul style="list-style-type: none"> • Authority for Atty.Ma.Henedina V. San Juan and Rodel V. Marqueses to represent the Corporation at the mandatory mediation / conciliation conference for NLRC Case No. NCR-08-00519-19, and there to enter into conciliation-mediation, and to sign and execute for and in behalf of the Corporation any and all documents that may be necessary for said conciliation-mediation.
16 September	<ul style="list-style-type: none"> • Authority for the Corporation's President Chryss Alfonsus V. Damuy to sign, execute and deliver for and on behalf of the Corporation, any and all pleadings, motions, papers and other documents including the Verification and Certification of Non-Forum Shopping in the case "Avegail Alapide De Leon vs. Chelsea Logistics and Infrastructure Holdings Corp./ Chelsea Shipping Corp., Dennis A. Uy and Chryss Alfonsus V. Damuy", NLRC Case No. NCR-08-00519-19; Authority for the law firm of Ponferrada TY Law Offices to be the Corporation's true and lawful Attorneys-in-Fact at the pre-trial stage and any stage of the proceedings in said case. • Authority for the Corporation to enter into a Memorandum of Agreement with Southern Pacific Holding Corporation for the sale to the latter of one (1) newly-built Roll-on/ Roll-off Type Passenger Ferry (F-1351); Designation of the Chairman of the Corporation Dennis A. Uy as authorized signatory for said Memorandum of Agreement and all other necessary documents to be executed for this transaction.
23 September	<ul style="list-style-type: none"> • Authority for the Corporation to file its application for Business Permit with the City Government of Taguig and its application for registration with the Bureau of Internal Revenue – Taguig; Designation of Ignacia S. Braga IV as the authorized signatory for these Applications; Authority for Eduardo M. Magalit, Francisco Delicana, Ronaldo Laurilla and Cristine Ayles to follow-up and receive the documents relating to these applications.
30 September	<ul style="list-style-type: none"> • Authority for the Corporation to execute the appropriate Share Sale and Purchase Agreement ("SPA") with 2Go Group, Inc. for the Corporation's acquisition or purchase of a total of Five Hundred Eighty Thousand Common Shares or the equivalent of one hundred percent (100%) of the issued and outstanding capital stock of The Supercat Fast Ferry Corporation ("SFFC"); Designation of the Corporation's President & CEO Chryss Alfonsus V. Damuy, as its duly authorized representative and signatory to sign, execute, and deliver the abovementioned SPA and any and all other ancillary documents, which include, but are not limited to, the Deeds of Assignment for the SFFC shares, the Deed of Absolute Sale over certain assets identified by the Corporation and 2Go Group Inc., the Promissory Notes, the Sales Agency Agreements, and such other documents required or necessary to carry out the foregoing Resolution.
14 October	<ul style="list-style-type: none"> • Authority for the Corporation's Chief Financial Officer IGNACIA S. BRAGA IV to sign and deliver for and in behalf of the Corporation the necessary requests, applications, affidavit and any and all other documents in connection with the following transactions for the properties of the Corporation covered by Transfer Certificates of Title Nos. 164-201901207 & 164-2019001208:(1) to annotate on the said Transfer Certificates of Titles, the approved change of company name from "Chelsea Logistics Holdings Corp." to "CHELSEA LOGISTICS AND

	<p>INFRASTRUCTURE HOLDINGS CORP."; and (2) to request for certified true copies of TCT Nos. 164-201901207 & 164-2019001208 and Tax Declarations on Land and Improvements from the Registry of Deeds of Taguig City; Authority for any one (1) of Cristine Ayles, Rolando Laurilla, Eduardo Magalit or Francisco Delicana to process, transact and receive the certified true copies of said Titles and Tax Declarations from the Registry of Deeds of Taguig City."</p> <ul style="list-style-type: none"> • Authority for the Corporation to enter into, deliver and perform its obligations under the Intercompany Advance Agreement under such terms and conditions as the Authorized Signatory (as defined below) of the Corporation may deem to be in the best interest of the Corporation; Authority for the President of the Corporation, Chryss Alfonsus V. Damuy, to sign, execute and deliver, for and on behalf of the Corporation, the said Intercompany Advance Agreement and any and all documents related thereto and to do any and all acts required, necessary, convenient or appropriate in connection with the Intercompany Advance Agreement or to otherwise give effect to any of the foregoing resolutions; Approval/ confirmation / ratification by the Corporation of any and all acts that the designated officer (and his respective designee) and the Authorized Signatory, shall lawfully do or cause to be done, or has done or caused to be done, by virtue of the Resolutions herein. • Approval, ratification / confirmation of the Initial Advance obtained by the Corporation from ISM Communications Corporation and authority for the Corporation to enter into the Intercompany Advance Agreement; Authority for the Corporation to enter into, deliver and perform its obligations under the Intercompany Advance Agreement under such terms and conditions as the Authorized Signatory (as defined below) of the Corporation may deem to be in the best interest of the Corporation; Authority of the President of the Corporation, Chryss Alfonsus V. Damuy, (the "Authorized Signatory") to sign, execute and deliver, for and on behalf of the Corporation, the said Intercompany Advance Agreement and any and all documents related thereto and to do any and all acts required, necessary, convenient or appropriate in connection with the Intercompany Advance Agreement or to otherwise give effect to any of the foregoing Resolutions.
29 October	<p>Authority for the Corporation to secure a loan from Visayan Surety & Insurance Corporation in the amount of One Hundred Fifty Million Pesos (P 150,000,000.00) which the Corporation will use for its working capital requirements; Designation of the Corporation's Chairman of the Board, DENNIS A. UY, as the authorized representative / signatory of the Corporation for the Promissory Notes and other documents which Visayan Surety & Insurance Corporation may require in connection with the loan extended to the Corporation.</p>
25 November	<p>Authority for the Corporation to open savings, time, current and/or trust accounts with Bank of China Ltd. (Manila Branch); Designation of Dennis A. Uy and Cherylyn C. Uy as Class A signatories authorized to sign singly for transactions in any amount; Chryss Alfonsus V. Damuy and Ma. Henedina V. San Juan as Class B signatories, and Ignacia S. Braga IV and Rodel V. Marqueses as Class C signatories where any one Class B signatory signing with any one (1) Class C signatory is necessary</p>

	for transactions in the amount of P 5,000,000.00 / U.S.\$ 100,000.00 and below.
2 December	<ul style="list-style-type: none"> • Designation of the Corporation's Chief Financial Officer Ignacia S. Braga IV as authorized representative / signatory of the Corporation for all transactions with BDO Unibank, Inc., with authority to apply for, negotiate and obtain loans and credit accommodations; to mortgage, pledge, assign or encumber properties of the Corporation as collateral for said loans / credit accommodations / facilities; and to execute, sign and deliver from time to time Loan Agreements, Mortgage Contracts, Promissory Notes, Trust Receipts and all other documents pertinent to the loan / credit accommodations/ facilities obtained from the Bank. • Authority for the Corporation to purchase one (1) unit of Mitsubishi Expander GLS Sport and for this purpose to secure credit facilities from Asia United Bank- Matina Branch in the amount of P 852,000.00; Designation of the Ignacia S. Braga IV as authorized signatory for this transaction.
16 December	<ul style="list-style-type: none"> • Authority for the Corporation to transact with BDO Unibank, Inc. or any of its branches, its subsidiaries and affiliates such as BDO Leasing and Finance, Inc. BDO Rental, Inc. and BDO Private Bank, Inc. for the obtainment of loan facilities and availment of banking products and services, and to open and maintain depository accounts; open and maintain corporate card account; avail of products and services; avail of credit and lease facilities; availability of credit facility/ies to co-users; mortgage, pledge, and assign corporate property; Designation of Ignacia S. Braga IV and Ma. Henedina V. San Juan, signing jointly, as authorized signatories for the above transactions with the Bank. • Authority for the Corporation to borrow or avail of a Short Term Credit Line in the amount of P 500,000,000.00, and to open and maintain Money Market Placements with Amalgamated Investment Bancorporation; Designation of Chryss Alfonsus V. Damuy as Class A signatory authorized to sign singly for transactions in any amount, and Ignacia S. Braga IV and Ma. Henedina V. San Juan as Class B signatories, signing jointly for all transactions. • Authority for the Corporation to apply, secure and obtain the guarantee of Philippine Guarantee Corporation for loans which the Corporation may obtain from nominated banks/ financial institutions; Designation of Dennis A. Uy, signing singly and Chryss Alfonsus V. Damuy and Ignacia S. Braga IV, signing jointly, for any and all documents which may be required by Phil Guarantee for the guaranty to be provided to the Corporation.
2 January 2020	Authority for the Corporation to file its application for issuance of its 2020 Business Permit in the City of Davao; Designation of Ignacia S. Braga IV as authorized signatory for this application; Authority for Entia Accounting Office and its representatives Mel Anthony T. Castanares, Melisa C. Pelonio and Rossana A. Manuawan to work on and follow up the issuance of the Corporation's 2020 Business Permit and to submit and receive documents related to said Application.
6 January	Authority for the Corporation to transact with BDO Unibank, Inc. or any of its branches, its subsidiaries and affiliates such as BDO Leasing and Finance, Inc. BDO Rental, Inc. and BDO Private Bank, Inc. for the obtainment of loan facilities and availment of banking products and

	<p>services, and to open and maintain depository accounts; open and maintain corporate card account; avail of products and services; avail of credit and lease facilities; availability of credit facility/ies to co-users; mortgage, pledge, and assign corporate property; Designation of Dennis A. Uy and Cherylyn C. Uy as Class A signatories authorized to sign singly for transactions in any amount; Chryss Alfonsus V. Damuy and Ma. Henedina V. San Juan as Class B signatories and Ignacia S. Braga IV and Rodel V. Marqueses as Class C signatories, where any one (1) Class B signatory signing with any one (1) Class C signatory shall be required for transactions in the amount of P 5,000,000.00 and below.</p>
20 January	<p>Authority for the Corporation to apply for a Tax Clearance from the Bureau of Internal Revenue; Designation of the Corporation's Chief Financial Officer Ignacia S. Braga IV as the authorized signatory for this Application.</p>

MANAGEMENT REPORT

I. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries as of and for the year ended December 31, 2019. The following discussion should be read in conjunction with the attached consolidated financial statements of the Company as of December 31, 2019 and 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in stockholders' equity, and cash flows for each of the years ended December 31, 2019, 2018 and 2017.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2019 vs. December 31, 2018.

Revenues

Presented below is the comparison of the Group's consolidated revenues for the year ended December 31, 2019 as compared to the consolidated revenues for the year 2018.

Amounts in millions	December 2019			December 2018			Change	
							Peso	%
Freight	P	2,441	35%	P	1,709	33%	P 732	43%
Tankering		1,983	28%		1,746	34%	237	14%
Passage		1,423	20%		969	19%	454	47%
Logistics		459	7%		287	6%	172	60%
Tugboat fees		338	5%		334	6%	4	1%
Others		329	5%		127	2%	202	159%
Total Revenues	P	6,974	100%	P	5,172	100%	P 1,802	35%

Based on the comparison of the actual performance during the year ended 2019 against the previous year, the Group's revenues increased by ₱1,802 million or 35% to ₱6.97 billion from ₱5.17 billion. Each business segment of the Group showed robust growth. Tankering revenues (consisting of charter fees and standby charges) increased from ₱1,746 million to ₱1,983 million as a result of the operations of MT Chelsea Providence, the Group's medium-range tanker and the largest registered tanker in the Philippines. In addition, the utilization of the Group's other tankers also increased with the higher volume of petroleum products shipped for the period from 656 million liters in 2018 to 1,193 million liters in 2019. Similarly, revenues from freight segment grew by 43% from ₱1,709 million in 2018 to ₱2,441 million in 2019, while passage revenues rose by 47% from ₱969 million in 2018 to ₱1,423 million in 2019. The growth in the freight and passage revenues can be attributed to the operations of new vessels deployed during the year. In addition, the conversion from seat to bed RORO and re-routing of MV Starlite Archer and MV Starlite Saturn from short-haul trips to Batangas-Caticlan and Batangas-Culasi via Sibuyan also contributed to better revenue performance for the passage and freight business.

Tugboat fees slightly increased by 1% for the year ended 2019 from ₱334 million to ₱338 million as a result of the Group's expanded tugboat operations in Batangas, Davao, and recently, in Cagayan de Oro.

The Group's logistics business, which currently accounts for 7% of the total consolidated revenues, posted the biggest growth of 60% from 2018's ₱287 million to ₱441 million in 2019. This was a result of the Group's continued expansion program of increasing its warehouse capacity from 6,522 sqm. in 2018 to 13,973 sqm. in 2019 and trucking fleet. This segment is expected to further improve once the Group's warehouse complex located on a 2.5-hectare property in Brgy. Ligid-Tipas, Taguig City commences commercial operations in 2020.

Costs of Sales and Services

A breakdown of the Group's consolidated Costs of Sales and Services for the year 2019 as compared to details of direct costs for 2018 is shown below.

<i>Amounts in millions</i>		December 2019		December 2018	% Change
Bunkering	P	1,984	P	1,243	60%
Depreciation and amortization		1,213		836	45%
Salaries and employee benefits		746		590	26%
Outside services		290		139	109%
Repairs and maintenance		266		121	120%
Insurance		249		146	71%
Port expenses		206		148	39%
Charter hire fees		87		240	-64%
Supplies		79		97	-19%
Cost of inventories sold		69		11	527%
Taxes and licenses		32		30	7%
Rentals		31		41	-24%
Utilities and communication		26		23	13%
Commissions		22		41	-46%
Transportation and travel		12		19	-37%
Miscellaneous		111		30	270%
Total Costs of Sales and Services	P	5,423	P	3,755	44%

As can be seen from the preceding table, the significant drivers to the increase in Costs of Sales and Services were the bunkering costs, depreciation and amortization, crew salaries and employee benefits, repairs and maintenance and insurance, which grew by ₱741 million, ₱377 million, ₱156 million, ₱145 million and ₱103 million, respectively, as a result of additional vessel deployments for the period. In addition, outside services increased by ₱151 million as a result of the significant increase in volume of delivery services for the Group's logistics business.

Operating Expenses

Other Operating Expenses grew by 19% from ₱901 million in 2018 to ₱996 million in 2019 due to increases in salaries and employee benefits, outside services and rentals resulting from the Group's continued expansion. On the other hand, taxes and licenses declined in 2019 which was due one-time payment of documentary stamp taxes for the conversion of certain loans and filing fees related to incorporation of new companies were incurred in 2018.

Other Income (Charges)

Other charges primarily include interest expense on loans and borrowings totaling ₱1,224 million and share in net losses of 2Go Group and DITO totaling ₱483 million. Interest expense increased by ₱447 million as a result of new borrowings related to new vessels acquired.

EBITDA and Net Losses

Overall, the Group) posted a net loss of ₱832 million for the year ended December 31, 2019 compared to the ₱551 million net loss reported during the previous year. A significant portion of the net loss reported by the Group can be attributed to its share in net losses of 2Go Group and DITO totaling to ₱483 million. Excluding this amount, CLC would have reported a net loss of just ₱349 million, which is primarily due to higher direct costs and increased interest costs as discussed further in the succeeding paragraphs.

EBITDA, on the other hand, grew by 36% from ₱1,472 million in 2018 to ₱2,005 million in 2019.

Financial Condition

(December 31, 2019 vs. December 31, 2018)

<i>Amounts in millions</i>		December 2019		December 2018	% Change
Current Assets	P	5,055	P	6,494	-22%
Non-Current Assets		35,949		25,797	39%
Total Assets	P	41,004	P	32,291	27%
Current Liabilities	P	18,077	P	10,126	79%
Non-Current Liabilities		10,473		9,241	13%
Total Liabilities	P	28,550	P	19,367	47%
Total Equity	P	12,454	P	12,924	-4%

Total resources of the Group grew to ₱41,004 million as of December 31, 2019 from ₱32,291 million as of December 31, 2018. The increase was brought about by the Group's continued expansion programs in the shipping and logistics business and through the subscription of shares in DITO Telecommunity Corporation (DITO) and the consolidation of The Supercat Fast Ferry Corporation (SFFC), which was acquired in October 2019.

Cash and cash equivalents decreased by 15% from ₱443 million as of December 31, 2018 to ₱375 million as of end of the current year as a result of capital expenditures paid in relation to the Group's continued expansion programs.

Trade and other receivables increased by 56% from ₱1,430 million as of December 31, 2018 to ₱2,226 million as of December 31, 2019 primarily due to timing of collections from customers.

Advances to related parties decreased significantly from ₱3,128 million as of December 31, 2018 to ₱814 million as of December 31, 2019 as a result of collections of advances to related parties for working capital requirements and other purposes. The remaining advances are expected to be settled in cash or through offsetting arrangements with the related parties.

Property and equipment grew from ₱17,304 million as of December 31, 2018 to ₱22,915 million as a result of the consolidation of SFFC which has 11 fastcrafts, additional vessel acquisitions and other capital expenditures during the year 2019 as part of the Group's continued expansion programs. In addition, the effect of adoption of PFRS 16, *Leases*, also contributed to the increase in property and equipment whereby the Group was required to reflect on-balance sheet the "right-of-use" (ROU) asset with a corresponding increase in lease liabilities.

While drydocking is normally done once every two years, Maritime Regulatory Authority (MARINA) may extend the vessel's trading certificates upon request by the vessel owner. Following are the status of the drydocking activities of certain vessels with appraisals of more than two years: (a) MT Great Diamond and MT Great Princess are covered by a five-year Bareboat Agreement since November 2016 and March 2017, respectively. Under a bareboat agreement, the charterer obtains full control of the vessel with all costs including drydocking are to be shouldered by the charterer; hence, appraisal cannot be made. Meanwhile, the drydocking procedures for MT Chelsea Denise and MV Asia Pacific are expected to be completed during the first quarter of 2020; accordingly, appraisals will be conducted during such period.

As disclosed in the consolidated financial statements, management estimates the useful lives of vessels between 2 to 35 years, which were based on each separately identifiable components of the vessel i.e., vessel equipment acquired are depreciated based on an EUL of 5 to 10 years. Acquired vessels are depreciated over an estimated useful life of 25 to 35 years from the dates of acquisition depending on whether such vessels were acquired brand new or from the second hand market. Drydocking costs, as an industry practice, are amortized over an estimated useful lives of 24 months.

Investments in associates and a joint venture increased significantly from ₱1,821 million as of December 31, 2018 to ₱6,416 million as of December 31, 2019 resulting from subscription of shares of DITO, additional investment in Meridian. These were partially offset by the recognition of the Group's share in net losses of 2Go Group and DITO for the current year.

Trade and other payables increased by ₱7,263 million from ₱3,497 million as of December 31, 2018 to ₱10,760 million as of the end of the current year. The increase in Trade and other payables was primarily due to timing of payment of trade payables.

The increase in advances from related parties was primarily due to additional borrowings from such related parties. These advances are generally expected to be settled on demand or through offsetting arrangements with the related party.

Interest-bearing loans and borrowings increased by 13% from ₱15,619 million as of December 31, 2018 to ₱16,307 million as of December 31, 2019 resulting from the availing of new loans related to the acquisition of vessels in relation to the Group's continued expansion programs. In addition, the effect of adoption of PFRS 16, Leases, also contributed to the increase in interest-bearing loans and borrowings whereby the Group was required to reflect on-balance sheet the lease liabilities instead of recording expenses during the period incurred.

The increase in deferred tax liabilities by 99% was mainly due to additional revaluation increment related to the appraisal of vessels after drydocking also contributed to the increase.

Other reserves pertain to the excess of the acquisition price over the net identifiable assets of Chelsea Shipping Corp. (CSC) amounting to ₱1.0 billion. As disclosed in the notes to the consolidated financial statements, CLC acquired CSC on November 24, 2016 for a total consideration of ₱2.0 billion. The carrying amounts of the consolidated assets and liabilities of CSC and subsidiaries amounted to ₱8.4 billion and ₱5.4 billion, respectively. The business combination entered on December 12, 2016 is accounted for under the pooling-of-interest method (see Note 20.6).

The decrease in equity, primarily retained earnings, was due to the results of the Company's financial performance for the year ended December 31, 2019.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2018 vs. December 31, 2017.

Revenues

Presented below is the comparison of the Group's consolidated revenues for the year ended December 31, 2018 as compared to the consolidated revenues for the same period in 2017.

								Change	
Amounts in millions	December 2018			December 2017			Peso	%	
Freight	P	1,709	33%	P	1,387	35%	P	322	23%
Tankering		1,746	34%		1,217	31%		529	43%
Passage		969	19%		773	20%		196	25%
Logistics		287	6%		240	6%		47	20%
Tugboat fees		334	6%		261	7%		73	28%
Others		127	2%		31	1%		96	310%
Total Revenues	P	5,172	100%	P	3,909	100%	P	1,263	32%

Based on the comparison of actual 2018 performance for the against 2017, the Group's revenues increased by ₱1,263 million or 32% to ₱5,172 million from ₱3,909 million. Each business segment of the Group showed robust growth and improved profitability. The tankering revenues increased from ₱1,217 million to ₱1,746 million as a result of higher freight rates charged for farther distance of port calls during the current year. Similarly, freight segment increased by 23% from ₱1,387 million for the year ended 31 December 2017 to ₱1,709 million during 2018 as a result of the acquisition of three freighters in November 2017. On the other hand, passage revenues increased by 25% which was attributable to the full years' operations of MV Starlite Eagle in 2018 which only started commercial operations in April 2017 plying the Roxas – Caticlan route as well as the commencement of operations of MV Salve Regina in September 2018 plying the Batangas – Caticlan route and the acquisition of MV Stella Del Mar plying Liloan – Lipata.

Tugboat fees improved by 28% for year ended December 31, 2018 from ₱261 million to ₱334 million. The increase in tugboat fees was primarily due to additional customers acquired during the last quarter of 2017 coupled with higher number of port calls in Calaca Industrial Park where Fortis Tugs Corporation is the exclusive tugboat service provider.

Finally, revenues from logistics services, which currently accounts for 6% of the Group's total revenues, increased from ₱240 million to ₱287 million as a result of additional customers acquired during the current year.

Costs of Sales and Services

Presented below is the breakdown of the Group's consolidated Costs of Sales and Services for the year 2018 as compared to 2017.

<i>Amounts in millions</i>		December 2018		December 2017	% Change
Bunkering	P	1,243	P	867	43%
Depreciation and amortization		836		796	5%
Salaries and employee benefits		590		363	63%
Outside services		139		127	9%
Repairs and maintenance		121		135	-10%
Insurance		146		130	12%
Port expenses		148		151	-2%
Charter hire fees		240		98	145%
Supplies		97		45	116%
Cost of inventories sold		11		37	-70%
Taxes and licenses		30		20	50%
Rentals		41		12	242%
Utilities and communication		23		9	156%
Commissions		41		31	32%
Transportation and travel		19		14	36%
Miscellaneous		30		27	11%
Total Costs of Sales and Services	P	3,755	P	2,862	31%

The increase in Costs of Sales and Services significantly came from larger bunkering costs, crew salaries and employee benefits, and supplies. Bunkering costs grew 43% from ₱867 million to ₱1,243 million due to deployment of additional vessels and higher fuel price caused by increase in the benchmark rates in the international market and the implementation of excise taxes on petroleum products effective 01 January 2018. Similarly, crew salaries and employee benefits and vessel supplies increased as a result of the full years' operations of MV Starlite Eagle and three freighters namely, MV San Lorenzo Uno, MV San Pedro Calungsod and MV St. Nicholas of Myra. In addition, five new vessels commenced operations in 2018, which include MV Stella Del Mar, MV Salve Regina, MV Trans-Asia 1, MV Trans-Asia 16 and MV Trans-Asia 17.

Meanwhile, charter hire costs also increased by 145% from ₱98 million to ₱240 million primarily due to deliveries made by Chelsea Shipping Corp. for Phoenix Petroleum Philippines, Inc. in to NPC Malaya. The Group had to hire third party vessels as all of its barges are currently covered by a Contract of Affreightment in servicing the bunkering requirements of 2GO Group, Inc.

Operating Expenses

Operating expenses grew from ₱530 million to ₱900 million due to increases in salaries and employee benefits, outside services and rentals as a result of the Group's continued expansion. In addition, the Group paid additional taxes and licenses related to conversion of certain loans, availment of new loans and filing fees related to incorporation of new companies. Finally, Miscellaneous Expenses increased as a result of the ₱20 million fines and penalties paid to the Philippine Competition Commission with respect to the acquisition of a Trans-Asia as well as settlement of tax assessments of various companies covering the taxable years 2014 to 2016.

Other Income (Charges)

Other charges primarily include interest expense on loans and borrowings totaling ₱777 million, share in net losses of 2Go Group, Inc. amounting to ₱453 million and foreign currency exchange losses of ₱64 million resulting from the Group's loans and borrowings denominated in foreign currency.

EBITDA and Net Profit (Loss)

Overall, the Group posted a net loss of ₱551 million for the year ended December 31, 2018 compared to the ₱161 million net profit reported during the year ended December 31, 2017. A significant portion of the net loss reported by the Group can be attributed to its share in net losses of 2Go Group, Inc. amounting to ₱453 million. Excluding this amount, CLC would have reported a net loss of just ₱98 million, which is primarily due to higher bunkering costs and increased interest rates as discussed further in the succeeding paragraphs.

EBITDA, on the other hand, grew by 6% from ₱1,297 million in 2017 to ₱1,472 million in 2018.

Financial Condition

December 31, 2018 vs. December 31, 2017

Total resources of the Group grew to ₱32,291 million as of December 31, 2018 from ₱26,380 million as of December 31, 2017. The increase was brought about by the Group's continued expansion programs through the acquisition of various capital asset expenditures.

Cash and cash equivalents declined by 69% from ₱1,442 million as of December 31, 2017 to only ₱443 million as of December 31, 2018 as a result of the Group's cash management efforts maintaining certain level of cash and some timing in disbursements and collections.

Trade and other receivables surged by 21% from ₱876 million as of December 31, 2017 to ₱1,430 million as of 31 December 2018 primarily as a result of timing of collections from customers.

Increase in inventories of approximately ₱341 million was due to acquisition of spare parts inventories in preparation for drydocking of certain vessels, and additional fuel and lubricants inventory in anticipation of increased fuel prices as a result of the implementation of the Tax Reform for Acceleration and Inclusion. Spare parts inventories rose from ₱88 million as of December 31, 2017 to ₱165 million as of December 31, 2018 while fuel and lubricants rose from ₱49 million to ₱217 million as of the end of the reporting period.

The increase in Other Current Assets from ₱464 million as of December 31, 2017 to ₱963 million as of December 31, 2018 was primarily due to the related input value-added taxes related to various capital asset expenditures.

Property and equipment grew from ₱11,303 million as of December 31, 2017 to ₱17,304 million as a result of additional vessel acquisitions during the first half of 2018, including a medium range tanker, delivery of which was accepted on April 25, 2018. In addition, the Group also acquired a 2.5 hectare property in Brgy. Ligid-Tipas, Taguig City, where CLC will build a warehouse in relation to its continued expansion in the logistics business.

The decline in Investments in an associate and a joint venture from ₱2,269 million as of December 31, 2017 to ₱1,821 million as of December 31, 2018 was due to the recognition of the Company's share in net loss of 2Go Group.

Trade and other payables increased from ₱1,381 million as of December 31, 2017 to ₱3,497 million as of December 31, 2018. The increase in Trade and other payables was primarily due to timing of payment of trade payables.

Interest-bearing loans significantly increased by 51% from ₱10,332 million as of December 31, 2017 to ₱15,620 million as of December 31, 2018 primarily as a result of additional loan drawdown during the period as part of the Group's continued expansion programs.

Advances from related parties significantly declined due to repayments made by such related parties.

Deposits for future stock subscriptions was reclassified as Non-controlling interests in 2018 as the application for the increase in Trans-Asia's authorized capital stock and creation of preferred shares were approved by the SEC in May 2018. Such preferred shares were subscribed by individual stockholders.

The decline in Income tax payable was primarily due to the tax payments made in April 2018.

The significant decline in deferred tax liabilities by 52% was mainly due to the tax effect of depreciation on revaluation increment related to vessels.

The decrease in retained earnings was primarily due to the results of the Company's financial performance for the year ended December 31, 2018.

Key Performance Indicators and Relevant Ratios

The Group's key performance indicators and relevant ratios and how they are computed are listed below.

	2019	2018	2017
Current Ratio	0.28	0.64	0.92
Debt-to-Equity Ratio	2.29	1.50	1.00
Book Value Per Share	6.74	7.00	7.22
EBITDA Margin	29%	28%	33%
Return on Average Equity	-6.65%	-4.25%	2.19%
Earnings Per Share	-0.457	-0.30	0.12

These key indicators were chosen to provide management with a measure of the Group's financial strength (Current Ratio and Debt to Equity) and the Group's ability to maximize the value of its stockholders' investment in the Group (Return on Average Equity, Net Book Value per Share and Earnings per Share). Likewise, these ratios are used to compare the Group's performance with similar companies.

Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation

Management is not aware of other events that will materially trigger direct or contingent financial obligation.

Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons Created during the Reporting Period

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the Financial Statements.

Material Commitments for Capital Expenditures, the General Purpose of the Commitment and Expected Sources of Funds

As disclosed in the notes to the consolidated financial statements, the Group signed two shipbuilding agreements for the delivery of a 98-meter and 123-meter bed/seat Ro-Ro type passenger ferry ships presently identified as Builder's Nos. S-1191 and F-1351. The total contract price for these vessels amount to ¥5,085 million (approximately ₱2,354 million). Total amounts paid as of December 31, 2019 amounted to ₱367.3 million.

Known Trends, Events or Uncertainties that will impact Sales / Revenues / Income from Continuing Operations

The Company is not aware of any known trends, events or uncertainties that will impact sales and/or income from continuing operations.

Significant Elements of Income or Loss that Did Not Arise from Continuing Operations

The Company is not aware of any element of income or loss that did not arise from continuing operations.

Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

The RoPax segment transports passengers and cargoes within Philippine territorial waters and/or on the high seas. Due to the seasonal nature of this segment, higher passage revenues and operating profits are usually experienced in the summer months of the year (March, April and May), school holidays (October and November) and Christmas holidays (December and January) rather than in the other months of the year. Freight revenues, on the other hand, are higher at the last quarter of the year rather than in the early months.

The seasons of the year have no or little effect on the operations of the tanker and tugboat segments.

II. NATURE AND SCOPE OF BUSINESS

Item 1. Historical Background

Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC) is a corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) as 'Chelsea Shipping Group Corp.' on August 26, 2016 primarily to act as a holding company.

On November 24, 2016, the Company acquired all of the outstanding shares of Chelsea Shipping Corp. (CSC) from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI), a related party under common ownership, for a total consideration of P2.0 billion.

On December 12, 2016, the Company acquired 100% ownership interest in Trans-Asia Shipping Lines, Incorporated for a total consideration of P216.3 million.

On December 21, 2016, the Securities and Exchange Commission approved the application of the Company to amend its corporate name from “Chelsea Shipping Group Corp.” to “Chelsea Logistics Corp.” and on June 27, 2017 the change from “Chelsea Logistics Corp.” to “Chelsea Logistics Holdings Corp.”, and on 7 May 2019 the change from “Chelsea Logistics Holdings Corp.” to “Chelsea Logistics and Infrastructure Holdings Corp.”

On March 27, 2017, CLIHC acquired all of Udenna Investments BV’s (UIBV’s) outstanding capital stock through a share swap agreement with Udenna Corporation wherein Udenna Corporation transferred to CLIHC 18,200 UIBV shares. In exchange, CLIHC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. UIBV owns 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008, and which holds 39.85% economic interest in Negros Navigation Co., Inc. (NENACO). KGLI-NM acquired such interests in NENACO on May 13, 2008. NENACO, in turn owns 88.31% of 2Go Group, Inc. (2Go). NENACO acquired its interests in 2Go on December 28, 2010. Hence, CLIHC has a 28.15% indirect economic interest in 2Go. NENACO and 2Go are the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

On August 8, 2017, the Company went public and its shares of stock were initially listed at the Philippine Stock Exchange (PSE).

On November 8, 2017, the Company acquired WorkLink Services, Inc., a one-stop integrated logistics solutions provider. Subsequently, on November 9, 2017, the Company acquired Starlite Ferries, Inc., a roll-on, roll-off and passenger ship operator based in Batangas.

On October 9, 2019, the Company acquired The Supercat Fast Ferry Corporation, a shipping company engaged in the operations of fast crafts in Cebu, Batangas, Ormoc, Bacolod, Iloilo and Tagbilaran.

Item 2. Business of Issuer

Description of Registrant

Principal Products and Services

CLIHC’s core businesses, through its wholly-owned subsidiaries, are divided into: (i) Tankering, (ii) Passage, (iii) Freight, (iv) Tugboat services, and (v) Logistics Services.

Chelsea Shipping Corp.

Chelsea Shipping Corp. (CSC), incorporated on July 17, 2006, is engaged in maritime trade in the conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbors, and other waterways.

CSC's wholly-owned subsidiaries are engaged in the following businesses:

- a. PN-XChelsea Shipping Corp. (PN-XChelsea), incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.
- b. Fortis Tugs Corporation (FTC), incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. DGMSI, a wholly-owned subsidiary of FTC, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.
- c. Michael Inc. (MI), incorporated on December 26, 1957, is engaged in the charter, hire or otherwise acquire LCTs, ships, barges, or vessels, together with equipment and furniture thereof.
- d. Bunkers Manila Incorporated (BMI), incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.
- e. Chelsea Ship Management & Marine Services Corp. (CSMMSC), incorporated on March 30, 2012, is engaged in ship management and is authorized to act as agent, broker, ship chandler or representative of foreign/ domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals.
- f. Chelsea Marine Manpower Resources, Inc. (CMMRI), incorporated on June 9, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as authorized representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.
- g. Chelsea Dockyard Corp. (CDC), incorporated on January 8, 2018 and is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.
- h. CD Ship Management & Marine Services Corp. (CDSMMSC), incorporated on March 14, 2018 and is engaged to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals and for such purpose, to act as principal in and hire the services of a local manning agent for the overseas employment for seamen, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation.

Trans-Asia Shipping Lines, Incorporated

Trans-Asia Shipping Lines, Incorporated (Trans-Asia), incorporated on March 25, 1974, is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas.

Trans-Asia's wholly-owned subsidiaries are engaged in the following businesses:

- a. Ocean Star Shipping Corporation (OSSC), incorporated on July 6, 2006, is engaged in the hire, charter, purchase or otherwise acquires vessels, barges, tugboats, lighters or other vessels of any class or regular services of vessels, barges, tugboats, lighters, or other vessels to enter into contract for the carriage and shipment in bulk or otherwise, and to conduct the business of general lighterage, towing ship chandlery, shipbrokers, freight contractors, barge and lighter owners and operators, forwarding agents, and general cargo handling operations of any all kinds of cargo.
- b. Starsy Shoppe, Inc. (SSI), incorporated on March 31, 2005, is engaged in engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.
- c. Dynamic Cuisine Inc. (DCI), incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, and cooks, arranges, serves and caters goods, drinks, refreshments and other food or commodities commonly served in such establishments.
- d. Quality Metal & Shipworks, Inc. (QMSI), incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.
- e. Star Maritima Port and Allied Services, Inc. (SMPASI), incorporated on October 11, 2018, is engaged primarily in providing arrastre services.
- f. Big Hub Transport and Logistics Corp. (Big Hub), incorporated on November 14, 2018 engaged in the business of transporting by land persons and/or their baggages, cargo, goods merchandise or effects, and to own, lease or charter, offer for lease or charter or operate land vehicles such as, but not limited to buses, cars, jeeps or vans.

Worklink Services, Inc.

Worklink Services, Inc. (WSI), established in February 1999, provides domestic logistics solution for various local industries. WSI's services are the following:

- a. Courier – Document (via Air/Land) and Non-document (via Air/Land/Sea)
- b. Trucking – Rental and hauling
- c. Warehousing – warehouse rental, inventory management, pick and pack, online shipping
- d. Special Projects – Account Management such as event management, manpower, in-store or trade merchandising/design set-up; and Drop Box Management such audit and encoding

Starlite Ferries, Inc.

Starlite Ferries, Inc. (SFI), incorporated on 26 August 1994, is engaged in the general business of domestic shipping to own and operate any class, type or description for domestic trade, to charter in and out any such vessels. SFI is one of the dominant shipping companies in the Batangas – Calapan and Roxas – Caticlan trade routes.

SFI has a wholly owned subsidiary, Starbites Food Services Corp., incorporated on 27 June 2018 and which was established to purchase all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation, for purposes of selling the same on retail or wholesale locally.

On August 10, 2018 and October 22, 2018, SFI acquired all of the outstanding shares of stock of Southwest Gallant Ferries, Inc. (SGFI) and Southwest Premiere Ferries, Inc. (SPFI), respectively. Both companies are primarily engaged in the general business of domestic shipping; to own and operate vessel of any class, type or description for domestic trade; to charter in and out any vessel. Southwest Gallant Ferries, Inc. has been re-named Starlite Gallant Ferries, Inc. and Southwest Premiere Ferries, Inc. has been re-named Starlite Premiere Ferries, Inc.

The Supercat Fast Ferry Corporation

The Supercat Fast Ferry Corporation incorporated on 20 June 2001 is engaged in the business of passenger transport. It operates 11 fastcrafts plying the routes of Cebu- Ormoc, Cebu-Tagbilaran, Batangas – Capalan, and Bacolod-iloilo.

Revenue Contribution

The following table represents the revenue distribution based on key business segments of the Company:

Services	Description of Services	Contribution to Sales
Freight	This pertains to revenues generated from transporting cargo from loading port to discharge port.	35%
Tankering	This consists mainly of charter income arising from the charter hire of its tankers and is recognized based on the type of charter agreement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or bareboat agreement (BB). Charter fees also include standby charges, which represent fees charged upon failure of customer to utilize/dispatch the tanker within the allotted lay-time initially agreed upon with the customer. This is commonly referred to as demurrage.	28%
Passage	This pertains to revenues generated from ferrying passengers from the point of embarkation to the point of disembarkation.	20%

Services	Description of Services	Contribution to Sales
Tugboat	These are fees arising from docking, undocking, shifting, towing, ferry services, tugboat usage and delivery services to marine vessels and other crafts.	5%
Logistics Services	This pertains to revenues generated from logistics, distribution and warehousing services.	7%

Shipping and Logistics Industry in the Philippines

The shipping and logistics sectors play significant roles in the Philippine economic growth and development. As an archipelagic country, the Philippines consists of 7,641 islands with a total coastline of 36,289 kilometers. The country ranks 7th in the world with the highest number of islands and 5th in the longest coastline. The maritime waters, of more than 2,200,000 kilometers, is 7x larger than the total area of 300,000 square kilometers. Due to the nature of the country's geographic landscape, sea transport is still the overall most efficient and effective way to transport major goods, especially commodities, in domestic and international trade.¹ It is also the efficient way to transport passengers throughout the islands.

In fact, as of 2019 Q3, the Philippine Statistics Authority estimated that 99.8% of domestic commodities were traded through water. Domestic trade has also risen by 10.2% to a total of 25.78 million tons in 2018, from 23.40 million tons in 2017. The Maritime Industry Authority reported a total of 72.1 million sea passengers in 2017, up by 46% from 49.5 million in 2011. The opening of new routes and robust economic growth have contributed to the growth in trades and islands' access to exciting opportunities. The Company aims to benefit from these growing sectors by providing reliable shipping services and logistics products to the Filipino people as it supports the business environment by connecting the islands through trading of goods and bringing passengers to their destinations.

The logistics sector is also seen to grow in support to the booming ecommerce and properties sectors. It is expected to be supported by the government's Build Build Build projects and the easing of regulations for doing business in the country.

A. Freight

The Company's Freight business is supported by its various subsidiaries operating nationwide: Chelsea Shipping and Trans-Asia Shipping Lines handles shipping cargoes; while Worklink Solutions provides end-to-end logistics solutions through its 60 delivery trucks and 13,200 sq.m. of warehouse capacity.

The Company also has a minority stake in 2GO Group, the largest integrated supply chain in the country which offers B2B and B2C logistics solutions. 2GO also holds the distinction of being the most favored last-mile fulfiller of the fast-growing e-commerce industry, having the widest logistics network in the country.

Below are the top five (5) major competitors in the Freight sector:

1. F2 Logistics

¹ Maritime Development Authority, "Maritime Industry Development Plan", December 2018, <https://marina.gov.ph/>

2. Air 21
3. AP Cargo
4. LBC
5. JRS Express

B. Tankers

The transport of petroleum products from refineries/oil terminal to the various places in the country addresses the basic needs for fuel for transportation, electrical power, farming and other activities across islands. It is the oil tankers and trucks which ensures that fuel is transported to places in the country where and when it is needed. Chelsea Shipping has a total of 16 tankers with 120 million liters of carrying capacity, which caters to the Phoenix Petroleum and to other top petroleum companies in the country.

As of 2018, the Maritime Industry Authority (MARINA) registered approximately 230 ships catering to liquid cargoes in the country, with total GRT of 297,602 and ave. GRT per vessel of 1,293.92.

Below are the five (5) major competitors of CLIHC in terms on the tanker business, these companies have a fleet of four (4) or more vessels.

1. Petrolift Group
2. Herma Shipping Group
3. Shogun Ships Co., Inc.
4. Via Marine
5. Magsaysay Group

These tanker owners have an approximately 65 tankers combined with an aggregate tonnage of about 105,764 GRT, as of 2018.

C. Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing and towing them. These are especially useful in narrow & difficult waterways and crowded ports. Although tugboats are usually utilized for docking & undocking procedures, they also have a wide range of applications including vessel rescue and steering structures without an independent propulsion system. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

As of 2018, records from the MARINA show that there are 743 registered tugboats in the Philippines. More than half of these tugboats are less than 100 GRT. Majority of smaller GRT tugboats hold a Bay & River trading license from MARINA while bigger vessels hold a Coastwise license. The top two (2) industry players in the tugboat industry account for more than 24% of the total tugboats over 100 GRT.

CLIHC competitors in providing tugboat services include:

1. Harbor Star Shipping Services, Inc.
2. Malayan Towage and Salvage Corporation
3. Pilot-operated Tugs

D. Roll-on-Roll-off Passenger Ship/Ferry

Roll-On-Roll-Off-Passenger-ship/ferry (RoPax) refers to vessels that can accommodate passengers along with freight vehicle transport. Given the archipelagic nature of the country, RoPax vessels are vital in transporting people and goods across the different islands. Given their accessibility and capability of ferrying large amounts of goods and manpower, passenger and freight vessels are an integral part of the logistical backbone of the Philippines.

As of 2018, the MARINA has the following registered fleets catering to domestic operations:

Type	Number	Total GRT (in '000s)	Ave. GRT (in '000s)
Conventional	402	154.70	0.38
RORO	228	240.50	1.07
Fastcraft	68	11.39	0.17
Total	698	406.59	0.59

Chelsea Logistics's main competitors in RoPax segment include:

1. Asian Marine Transport Corporation
2. Cokaliong Shipping Lines, Inc.
3. Lite Shipping Corporation
4. Montenegro Shipping Inc.
5. Archipelago Philippine Ferries Corporation
6. Island Water by Shogun Ships
7. SRN Fast Seacrafts, Inc. (Weesam Express)
8. OceanJet

Suppliers

The Company sources its vessel, fuel requirements and other supply domestically and internationally. The company sources approximately 90% of its fuel requirements from Phoenix Petroleum Philippines, Inc.

The payment forms vary for each supplier. It ranges from Letter of Credit, drawn against payment, down payment, and various credit terms offered by supplier.

Transactions With and/or Dependence on Related Parties

In the ordinary course of its business, CLIHC and its subsidiaries engages in transactions with related parties and affiliates. It is the Company's policy to ensure that these transactions are entered on terms comparable to those available from unrelated third parties. This may consist but not limited to the following:

- i. Chartering services
- ii. Fuel purchases
- iii. Advances to/from related parties for working capital purposes

Currently, the Company sources approximately 90% of its fuel requirements from its affiliate – Phoenix Petroleum Philippines, Inc.

Employees

As of December 31, 2019, the Company has a total of 2,906 employees, 1,585 of which are crewmen and are stationed at various ports of operation, while the other 1,321 employees are office personnel or are members of support services. These exclude 2Go Group employees.

Crewmen consist of captains, engineers, mechanics, divers, and able-bodied personnel. On the other hand, office personnel are comprised of the sales and marketing group, accounting and finance professionals, administrative services employees and the operations department.

A bachelor's degree in a relevant field is required of each one of the Company's directly-hired employees. For deck and engine crew, a MARINA-issued Qualification Document Certification is also mandated by the Company prior to employment.

Benefits received by employees include government-mandated benefits (Social Security System, Pag-ibig, and PhilHealth), rice subsidies, vacation leave of 15 days per year, health plans, and retirement pay. The Company supports employee development thru the conduct of in-house seminars, drills and training. Employees are enrolled in various technical, professional, management and leadership training, here and abroad. One of CLIHC's subsidiaries, Trans-Asia Shipping, has two (2) existing labor unions, one for its supervisors and one for its rank and file employees. Both unions have existing collective bargaining agreements ("CBA") valid from August 11, 2017 to August 10, 2022. The relationship with the unions has been generally harmonious and there has been no incidence of labor strikes in the past three (3) years, up to the present. There is also no impending or threatened labor strike.

Risks Relating to the Company

The following are the key risks factors which may affect the operations of the Company:

- *Maritime vessels are the Company's primary assets and, in the course of operation, are susceptible to maritime accidents.*

Due to the nature of the shipping industry, the risk of collision is real. Collisions may result in extensive damage to a vessel's hull, increasing its susceptibility to taking on water, which may result in the integrity of the vessel being compromised or even result in a complete loss of the vessel, environmental pollution, loss of life and damage to properties. Furthermore, when vessels are docked, they are secured to the harbor by use of the anchor, and a rope tied between the ship's stern and the berth. In times of strong winds and constant rain, these harnesses may break, thereby risking the safety of the ship.

To mitigate these risks, the Company ensures that its crew members have undergone the necessary orientation and training seminars on operations and safety. Furthermore, crewmen are required to complete quarterly safety training seminars, and yearly assessments to promote the progressive enhancements of their skills. The Company also conducts drills to ensure crew safety and minimize damage to property and the environment. For the drydock of its vessels, the Company utilizes shipyards with vast drydocking/repair experience and which observe internationally-accepted standards of safety.

- *The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.*

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration.

To address this risk, the Company ensures to diligently adhere with and closely monitor compliance with the terms of its licenses, permits and other authorizations. The Company likewise employs competent legal and operating personnel who regularly liaise with the various government agencies to ensure compliance by the Company with changes in environmental laws and regulations and monitor renewal of its licenses and permits.

- *The Company's vessels are mechanical and are susceptible to breakdowns.*

The Company's operations use mechanical vessels that are subject to regular mechanical wear and tear. The occurrence of mechanical failure can result in downtime and opportunity losses for the Company. To ensure that the Company's high service quality is maintained, the Company has a preventive maintenance system and drydocking program for its vessels. In the event of non-availability of its vessels, due to breakdown or other factors, the Company charters third party vessels to serve customer requirements.

- *The shipping industry is highly competitive.*

In order to maintain its market competitiveness, the Company must provide reliable and efficient service to its clients. The Company continues to improve its manpower complement by employing experienced and competent officers, and providing continuous training. The Company's clients prefer younger and well-maintained vessels and this necessitates significant capital expenditures by the Company on a regular basis. The Company has also formulated a re-fleeting plan and improved preventive maintenance system.

- *Volatility of fuel prices impacts the operations of the Company.*

Fuel is a key component of shipping operations. In cases of significant increases in fuel prices, the Company may not be able to automatically pass on to its clients the effects of these increases. Thus, the Company's gross margins may be adversely affected, reducing its profitability. To mitigate this risk, the Company maximizes its affiliation with P-H-O-E-N-I-X Petroleum Philippines, Inc. through access to information on movement of global petroleum prices. This allows the Company to hedge prices for its fuel requirements necessary to protect its profitability.

- *Changes in legal and regulatory environment.*

The Company is engaged in the shipping transport business. As a result, the Company is required to hold a wide range of business permits and licenses. Compliance with these laws and regulations involve certain compliance costs, the failure of which can lead to the imposition of fines and sanctions, including the revocation of permits and licenses necessary for the conduct of the Company's business and activities. As these laws and regulations change from time to time, tougher regulations may be imposed in the future which may affect the conduct of the Company's business and operations.

Moreover, there can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its vessels and facilities above currently

projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations the introduction or inconsistent application of, or changes in, the laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations. To address the foregoing risks, the Company, in conjunction with industry associations such as the Philippine Shipping Vessel Owners Association Inc. ("PHILSVOA") and Visayas Association of Ferry Boats and Coastwise Service Operators ("VAFCSO"), is actively engaged in policy advocacy causes for the promotion and development of the shipping transport industry in the country, tackling regulatory and policy issues and concerns faced by the industry and working to strengthen industry-government partnerships.

Furthermore, the Company employs competent legal and operating personnel, who regularly liaise with the various government agencies to ensure compliance by the Company with new regulations and exercise the requisite due diligence with respect to protecting the Company's business, financial condition, and results of operations from the aforementioned risks while still complying with the applicable laws and regulations. In addition, the Company on a case-to-case basis engages external counsel to provide specialized legal advice and service.

- *Business Cycle risks on the shipping and logistics industry*

The Company has a high operating leverage making the business sensitive to economic slowdowns due to high fixed depreciation costs. The shipping and logistics businesses are dependent on economic and business cycles. To mitigate this risk, the Company is working on improving synergies across the businesses.

Effects of Existing or Probable Governmental Regulations on the Business

The Company believes that it complies with relevant laws, rules and regulations for all the business activities that it is currently engaged in. The Company cannot provide assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail further expansion or development.

Additionally, new rules and regulations that may be enacted may increase the Company's operating costs and may adversely affect the Company's results of operations and financial condition.

Costs and Effect of Compliance with Environmental Laws

For the year ended December 31, 2019, the Company incurred ₱9,629,948.00 for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses. For the years 2017 and 2018, the Company incurred costs of ₱ 3,017,977.00 and ₱2,059,383.00, respectively.

Item 3. Properties

The Group owns various tankers, barges, RoPax, cargo vessels and tugs which are utilized in its business. The following table sets forth information on these vessels that each company owns as of December 31, 2019.

Name of Vessel	Registered Owner	Year Built	Type
1. M/T Chelsea Providence	CSC	2013	Medium Range Tanker
2. M/T Chelsea Great Diamond	CSC	2012	Oil/Chemical Tanker
3. M/T Chelsea Cherylyn	CSC	2009	White Oil, Carrier, Tanker
4. M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker
5. M/T Chelsea Resolute	CSC	1979	White Oil, Carrier, Tanker
6. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
7. M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker
8. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker
9. M/T Chelsea Denise II	PNX – CSC	2012	Black / White Oil Carrier, Tanker
10. M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker
11. M/T Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
12. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker
13. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker
14. MV San Pedro Calungsod	PNC – CSC	1996	Cargo Container
15. MV San Lorenzo Ruiz Uno	PNX – CSC	1996	Cargo Container
16. MV St. Nicholas of Myra	PNX – CSC	1998	General Cargo
17. M/T Ernesto Uno	MI	1979	White Oil, Carrier, Tanker
18. M/T Jasaan	MI	1990	Black Oil Carrier, Tanker
19. M/T BMI Patricia	BMI	1981	Black Oil Carrier, Tanker
20. Chelsea Exuberance	CSC	2015	Floating Dock
21. Chelsea Agility	CSC	2007	Floating Dock
22. MV Trans Asia 1	Trans Asia	1980	Passenger Ship
23. MV Trans Asia 2	Trans Asia	1977	Passenger Ship
24. MV Trans Asia 3	Trans Asia	1989	Passenger Ship
25. MV Trans Asia 8	Oceanstar	1984	Passenger Ship
26. MV Trans Asia 10	Trans Asia	1979	Passenger Ship
27. MV Asia Philippines	Trans Asia	1975	Passenger Ship
28. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
29. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
30. MV Trans Asia 5	Trans Asia	1989	Container Cargo Ship
31. MV Trans Asia 12	Trans Asia	1998	Container Cargo Ship
32. MV Trans Asia 15	Trans Asia	1995	Container Cargo Ship
33. MV Trans-Asia 16	Trans-Asia	1996	Container Cargo Ship
34. MV Trans-Asia 17	Trans-Asia	1999	Container Cargo Ship
35. MV Asia Pacific	Trans Asia	1981	General Cargo Ship
36. MV LCT Lapu-lapu Uno	Trans-Asia	2014	General Cargo Ship
37. M/Tugs Fortis I	FTC	1994	Tugboat
38. M/Tugs Fortis II	FTC	1990	Tugboat
39. M/Tug Fortis III	FTC	1972	Tugboat
40. M/Tug Fortis V	FTC	1984	Tugboat
41. M/Tug Fortis VI	FTC	1989	Tugboat
42. M/Tug Fortis VII	FTC	1984	Tugboat
43. M/Tug Fortis VIII	FTC	1984	Tugboat
44. M/Tug Fortis IX	FTC	2009	Tugboat
45. M/Tug Fortis X	FTC	1988	Tugboat
46. M/Tug Fortis XI	FTC	1988	Tugboat
47. M/Tug Fortis XII	FTC	1988	Tugboat
48. M/Tug Fortis XV	FTC	1987	Tugboat

Name of Vessel	Registered Owner	Year Built	Type
49. M/Tug Samal	DGMS	1974	Tugboat
50. M/Tug Pindasan	DGMS	1981	Tugboat
51. M/Tug Sigaboy	DGMS	1971	Tugboat
52. M/Tug Orishima	FTC	1988	Oil Pollution Tugboat
53. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
54. MV Starlite Annapolis	SFI	1982	Passenger and Cargo Ship
55. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship
56. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
57. MV Starlite Tamaraw	SFI	1981	Cargo Ship
58. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
59. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
60. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
61. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
62. Sprint 1	SFI	2019	Fastcraft
63. SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
64. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
65. MV Trans-Asia 20	SGFI	2019	Passenger and Cargo Ship
66. Stella del Mar	SPFI	2018	Passenger and Cargo Ship
67. St. Nuriel	Supercat	2000	Passenger Ship
68. St. Uriel	Supercat	1992	Passenger Ship
69. St. Sealthiel	Supercat	2000	Passenger Ship
70. St. Jhudiel	Supercat	1996	Passenger Ship
71. St. Braquel	Supercat	1996	Passenger Ship
72. St. Emmanuel	Supercat	1998	Passenger Ship
73. St. Camael	Supercat	2017	Passenger Ship
74. St. Sariel	Supercat	2017	Passenger Ship
75. Supercat 36	Supercat	1990	Passenger Ship
76. Supercat 38 (St. Dominic)	Supercat	1990	Passenger Ship
77. St. Micah	Supercat	1990	Passenger Ship

As of the date of this Information Statement, all of the above-mentioned vessels are in good working condition.

Further, Trans-Asia owns a 1,509.28 sq.m. land located at M.J. Cuenco Ave. corner Osmeña Blvd., Brgy. San Nicholas, Cebu City and a building constructed thereon with a total floor area of 2,940 sq.m., which houses Trans-Asia Shipping's main office. Trans-Asia also owns three (3) container yards located at Quezon Blvd. within Piers 4 and 5, North Reclamation Area, Brgy. Cebu Port Center, Cebu City, and in Macabalan, Cagayan de Oro with an aggregate area of 14,904 sq.m.

In May 2018, the Company purchased a parcel of land at Ligid Tipas, Taguig City with an area of 25,335 sq.m. which will be the site of a warehouse facility being constructed by its subsidiary Worklink Services, Inc. Some of the vessels and real estate properties owned by CLIHC and its Subsidiaries are used to secure long-term loans. The details of these loans are as follows:

Term Loans

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2019	2018
China Banking Corporation (CBC)		CSC shares of stocks/				
	(h)	Continuing Suretyship	6 years	4.50%	P 1,665,000,000	P 1,800,000,000
Development Bank of the Philippines (DBP)	(n)	MT Chelsea Providence	15 years	6.50%	1,473,214,285	1,500,000,000
Philippine Business Bank (PBB)		MV Eagle, FD Exuberance				
	(j)	MV Archer, MV Satum	10 years	7.50%	843,799,503	976,884,263
CBC	(r)	Real Estate Mortgage	15 years	7.25%	800,000,000	-
PBB	(j)	Unsecured	15 years	7.00%	749,689,849	800,000,000
DBP	(m)	Trans - Asia 16, 17 and 18	15 years	6.50%	595,928,571	618,000,000
DBP		MV San Pedro Calungsod				
	(l)	MV San Lorenzo Luis Uno	15 years	6.50%	532,875,621	557,526,997
DBP	(k)	MV Pioneer, MV Reliance	15 years	6.95%	529,400,000	581,880,000
PBB	(p)	MV Salve Regina	15 years	7.00%	457,097,220	460,000,000
BDO Unibank, Inc. (BDO)		Trans - Asia 8, Trans - Asia 9,				
	(e)	Trans - Asia 10	10 years	4.25%	364,179,579	494,370,980
DBP	(s)	MV St. Camael and MV St. Ariel	15 years	6.50%	328,888,889	-
PBB	(o)	MV Stella Del Mar	15 years	7.00%	302,914,899	346,699,500
Mega International Commercial Bank Co. (MICBC)	(i)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
Robinsons Bank Corporation (RBC)	(i)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
CTBC Bank (Phils) Inc. (CTBC)	(i)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
CBC	(f)	Trans-Asia 15	10 years	7.00%	242,129,630	200,000,000
PBB	(c)	MT Chelsea Dominance	7 years	6.06%	243,266,625	308,137,725
CBC	(b)	MT Chelsea Charize	7 years	3.25%	236,805,333	316,344,000
PBB	(c)	MT Chelsea Endurance	7 years	6.06%	206,334,375	261,356,875
First Commercial Bank, Ltd. (FCB)	(i)	Continuing Suretyship	5 years	6.10%	172,500,000	187,500,000
Rizal Commercial Banking Corp. (RCBC)	(q)	Starlite Sprint I	8 years	9.50%	113,094,452	-
BDO	(a)	MT Chelsea Denise II	5 years	6.46%	103,820,000	149,980,000
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.56%	62,539,867	70,357,350
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.56%	46,464,133	56,789,496
United Coconut Planters Bank (UCPB) and Philippine Bank of Communications (PBComm)	(g)	MTug Pindasan, MTug Samal MTug Sigaboy	5 years	6.00% to 6.50%	-	2,321,621
Discount on loans payable					10,846,192,831	10,531,898,807
					(47,301,621)	(46,406,432)
					P 10,798,891,210	P 10,485,492,375

Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance	
				2019	2018
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P 1,265,823,896	P 2,013,768,437
UCPB	MT Chelsea Intrepid				
	MT BMI Patricia	90 days	5.00% to 5.75%	896,400,000	920,200,000
CBC	Unsecured	60 days	6.00%	522,163,934	480,000,000
Landbank of the Philippines	Unsecured	90 days	9.00%	500,000,000	300,000,000
DBP	MT Chelsea Cheryllyn	180 days	4.00 to 4.25%	300,000,000	300,000,000
Pentacapital	Unsecured	360 days	6.00%	200,000,000	400,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%	200,000,000	200,000,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%	60,300,000	79,400,000
AUB	Unsecured	30 days	8.00%	50,000,000	-
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%	48,459,247	33,500,000
PVB	Unsecured	180 days	11.04%	-	167,341,997
				P 4,043,147,077	P 4,894,210,434

Item 4. Legal Proceedings

In the course of the Group's business, it has been involved in legal proceedings both as plaintiff and defendant. The Company's management believes that an adverse resolution in such cases will not materially affect the financial position of the Company. The Company is not involved in any legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) which it believes may have a material adverse effect on the financial position of the Company.

The following are the material legal proceedings which the Company is currently involved in:

- Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City;*
- Pilipinas Kao, Inc. vs. Michael, Inc., Civil Case No. 37180, Regional Trial Court of Cebu City.*

These consolidated cases which were filed in September 2010, refer to the Complaint of MI against Pilipinas Kao, Inc. ("PKI") for Collection of Sum of Money and Damages with Prayer for Preliminary Attachment, and PKI's Complaint against MI for Specific Performance, Reimbursement and Damages.

The transactions subject of the complaints refers to the Charter Agreement between MI and PKI whereby MI agreed to transport on its vessel M/Tkr Ernesto Uno the crude coconut oil ("CCO") of PKI. The Charter Agreement was for a period of two (2) years from January 8, 2009 to January 7, 2011, and the agreed Charter Rate was PhP2,050,000 per month. From December 2009 to July 2010, MI transported PKI's CCO from Mindanao to various ports of destination, and accordingly billed PKI Charter Fees in the amount of PhP15,921,666.67. However, PKI refused to pay the Charter Fees on its allegation that the CCO transported by MI was contaminated with seawater. In its Answer to PKI's Complaint, MI alleged that it proposed several plans to PKI to resolve the alleged contamination but the same were refused by PKI.

As these cases have been consolidated, they are being jointly heard.

The testimony of Michael Inc's. witness Stella Marie Torreliza was completed on November 22, 2018. At the October 31, 2019 hearing, counsel for MI was comparing and re-marking documentary evidence on file with the original documents in his possession when the hearing was cut short by an earthquake. The parties are waiting for notice of the next hearing date.

b. Fortis Tugs Corporation vs. Marinemax Shipping Corporation and Vicente Sandoval, Jr., Civil Case No.027, Regional Trial Court of Taguig City.

This Complaint, which was filed on March 23, 2016, seeks to recover from defendants the sum of PhP11,613,082.78, which represents payment for the tugboat services rendered by the plaintiff to the defendants from the period November 2013 to October 2015. The plaintiff has a prayer for the issuance of a Writ of Preliminary Attachment against the properties of the defendants on the ground that the latter are guilty of fraud in issuing checks to the plaintiff in payment of their obligations and thereafter issuing a stop payment order on the said checks. Plaintiff also prayed for the grant of Exemplary Damages in the amount of PhP100,000 and Attorney's Fees in the same amount.

Defendants filed a Motion to Dismiss the Complaint filed by Fortis Tugs, while the plaintiff filed its Motion to Declare Defendants in Default. Both Motions have been submitted for resolution. Plaintiff has also filed its Motion for Issuance of a Warrant of Arrest against defendant Vicente Sandoval and is awaiting resolution of the same.

c. Ryan Subong et.al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No, 26205, Regional Trial Court of Iloilo City

The original Complaint was filed by 79 plaintiffs on April 11, 2000. Plaintiffs were the passenger-survivors and heirs of the casualties of the sinking of MV Asia South Korea which sank off the vicinity of Bantayan Island en route to Iloilo on December 23, 1999. Their total claim for damages is in the amount of PhP380,000,000.00. An Amended and Second Amended Complaint were filed in April and August 2000 respectively. Defendant Trans- Asia Shipping's main defense is that the cause of the accident was force majeure as the vessel was seaworthy and properly manned at the time of accident.

On April 18, 2013, the Regional Trial Court issued its Decision ordering Trans-Asia Shipping to pay PhP801,000.00 for 4 deaths and PhP585,000.00 for 13 survivors or a total of PhP1,386,000.00. Although Trans-Asia Shipping offered to pay in accordance with the Decision, not a single plaintiff accepted payment. Instead, some of the plaintiffs filed their Motion for New Trial, some filed Motion of Reconsideration of the Decision, and some filed their Notice of Appeal.

The trial court issued an Order granting new trial for two plaintiffs and set the hearing for reception of evidence for said plaintiffs. The trial court also issued its Order dated March 22, 2016 modifying the award of damages to PhP8,865,399.96 for four deaths and 11 survivors, plus 15% interest on the total monetary award. Trans-Asia Shipping filed its Motion for Reconsideration of the two Orders, which was denied by the trial court. Trans-Asia Shipping has filed its Notice of Appeal. At the May 17, 2017 hearing, plaintiff manifested that they are willing to study the settlement of the case.

In August 2017, the parties signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of PHP8,839,313.95 for thirteen (13) Complainants (4 Deaths and 9 Survivors). In October 2017, another three (3) plaintiffs signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of PhP594,250.00. On October 6, 2017, the trial court issued its Orders approving the two Compromise Agreements and declaring the case as CLOSED AND TERMINATED insofar as the 16 Complainants are concerned.

Two (2) Complainants, Kenneth Sherwin Chu and Raquel Cometa, have signed a Compromise Agreement and accepted the settlement amount of PHP170,775.00 each. Defendant Trans-Asia is currently working for the settlement of the last remaining Complainant, with a probable settlement in the amount of not more than PhP200,000.00.

d. Nelly A. Gangoso, et. al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No. CEB-36075, Regional Trial Court of Cebu City.

This Complaint was filed by 5 plaintiffs on October 2009 arising from the sinking of MV Asia South Korea. A Compromise Agreement dated June 18, 2013 was entered into by four of the plaintiffs pursuant to which said plaintiffs agreed to withdraw their claims against Trans-Asia Shipping in return for the payment by defendant of the amount of PhP75,000.00 each to said plaintiffs. Plaintiff Nelly A. Gangoso pursued this case against Trans-Asia Shipping. Plaintiff Nelly Gangoso and defendant Trans-Asia have completed the presentation of their respective documentary and testimonial evidence. Plaintiff has filed her Memorandum, and defendant was supposed to file its Memorandum on April 28, 2017. On May 28, 2017, a Decision was issued by the trial court, awarding a total of PhP1,050,000 in favor of the plaintiff. Trans-Asia filed its Motion for Reconsideration of the said Decision and when the same was denied, Trans-Asia filed its Appeal which is now pending resolution by the Court of Appeals.

In December 2019, in accordance with the directive of the Court of Appeals, Defendant Trans-Asia filed its Appellant's Brief.

e. Trans-Asia Shipping Lines, Inc. vs. Philippine Fire and Marine Insurance Corporation, et.al. Civil Case No. 39098, Regional Trial Court of Cebu City.

This Complaint was filed by Trans-Asia in September 2012 to collect the insurance proceeds arising from the sinking of MV Asia Malaysia, which proceeds are in the approximate amount of PhP120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of PhP50,000,000. Defendant Philippine Fire filed its Motion to Dismiss the complaint on

the ground of lack of jurisdiction and insufficient docket fees paid. When said Motion to Dismiss was denied, defendant Philippine Fire filed a Petition for Certiorari with the Court of Appeals in December 2014. Said Petition for Certiorari was dismissed by the Court of Appeals on June 28, 2016. On March 30, 2017, the regional trial court issued an Order setting the case for pre-trial on June 9, 2017. At the 9 June hearing, the case was remanded to the Executive Judge for transfer to Branch 11, which is the only commercial court in Cebu City. At Branch 11, Philippine Fire filed a Motion to Suspend Proceedings attaching the Notice of Stay Order issued by the Insurance Commission. Trans-Asia filed its Opposition to Philippine Fire's Motion to Suspend Proceedings. This matter is now pending resolution by the trial court.

Item 5. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of this calendar year covered by this report.

III. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

Item 1. Principal market where the registrant's common equity is traded

The Company's common shares are traded at the Philippine Stock Exchange ("PSE") beginning August 8, 2017. The high and low sale prices of each quarterly period for year 2019 are as follows:

Period	2019		2018	
	High	Low	High	Low
1Q	7.20	5.59	9.79	7.00
2Q	8.74	5.08	8.56	6.45
3Q	9.36	6.22	7.76	5.43
4Q	7.18	4.73	9.77	4.40

As of January 24, 2020, the market capitalization of the Company, based on the closing price of PHP 5.40 per share, was approximately PHP 9.84 billion.

Item 2. Holders

The following are the top registered holders of the Company's securities based on the records as of December 31, 2019:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	70.000
PCD Nominee Corporation (Filipino)	527,916,532	28.975
PCD Nominee Corporation (Non-Filipino)	16,506,960	0.906
Caroline G. Taojo	800,000	0.044
Eggnest Property Corp.	770,000	0.042
Noe B. Taojo	400,000	0.022
Clive C. Kian	50,000	0.003
Pan Asia Securities Corporation	50,000	0.003
Jharna P. Chandnani	30,000	0.002
Ponciano V. Cruz, Jr.	18,000	0.001
Christopher Vincent J. Kokseng or Mery Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	0.001
Milagros P. Villanueva	7,300	0.000
Myrna P. Villanueva	7,300	0.000
Marietta V. Cabreza	5,000	0.000
Elvira M. Cruz or Bernardo A. Cruz	5,000	0.000
Percival Cirilo Samodio Flores	1,000	0.000
Alexander S. Timbol	100	0.000
Owen Nathaniel S. Au ITF: Li Marcos Au	10	0.000
Eduardo A. Bangayan	1	0.000
Miguel Rene A. Dominguez	1	0.000
Jesus S. Guevara II	1	0.000
Gener T. Mendoza	1	0.000
Arthur Kenneth L. Sy	1	0.000
Cherylyn C. Uy	1	0.000
Efren E. Uy	1	0.000
TOTAL	1,821,977,615	100.000%

Item 3. Dividends

The Company's dividend policy is to declare at least 20% of its prior year's net income as dividends, whether in stock or in cash or a combination of both, subject to the existence of unrestricted retained earnings, CLIHC's financial condition, as well as requirements of applicable laws and regulations, the terms and conditions of our existing loan facilities, and the absence of circumstances that may restrict the payment of such dividends.

Each holder of a common share is entitled to such dividends as may be declared in accordance with the Company's dividend policy. The Company's current dividend policy entitles holders of common shares to receive dividends based on the recommendation of the Board of Directors. Such recommendation will consider such factors as operating expenses, implementation of business plans, and working capital.

The Company did not declare dividends for the years ended December 31, 2019 and 2018.

Item 4. Recent sale of securities

The Company has not sold or transferred any securities that are not registered under the Code nor did it issue any additional securities in exchange for any properties, services and other securities.

Item 5. Corporate Governance

The Company adopted a Manual of Corporate Governance (the "Manual") to ensure its compliance with the leading practice on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by its Board of Directors and deemed effective as of March 27, 2017.

The Manual features the following provisions:

- *Protection of investors.* The Manual provide for shareholders' rights and protection, investor relations and a disclosure system to ensure transparency and accountability.
- *Board of Directors and Management.* The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- *Checks and balances.* The Manual contains the vision, strategic objectives, key policies, procedures for the management of the Company, and mechanisms for monitoring and evaluating management's performance.
- *Compliance with the Manual.* The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- *Creation of committees.* The Manual mandates the creation of the Nomination Committee, the Audit Committee, the Corporate Governance Committee, the Board Risk Oversight Committee and the Related Party Transaction Committee, to ensure the performance of certain important functions of the Board and of Management.

The Company will continue to improve its corporate governance, and will amend, the Manual as may be necessary.

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

The management of Chelsea Logistics and Infrastructure Holdings Corp. and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.


DENNIS A. UY

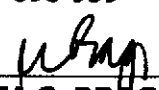
Chairman of the Board

TIN 172-020-135


CHRYSS ALFONSUS V. DAMUY

President and Chief Executive Officer

TIN 913-898-959

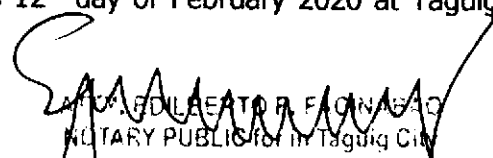

IGNACIA S. BRAGA IV

Chief Financial Officer

TIN 108-038-078

SUBSCRIBED AND SWORN to before me this 12th day of February 2020 at Taguig City, affiants exhibited to me their respective TIN.

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Book No. LXXVI
Series of 2020



NOTARY PUBLIC for in Taguig City
Until December 31, 2020
IBP O.R. No. 094091 / 11-04-2019
PTR No. A-4760851 / 01-02-2020
MCLE Compliance No. V - 0024438
IBP Roll No. 29548
10 / Bldg. Gen. Luna St., Tuktukan Taguig

HEAD OFFICEStella Hizon Reyes Road Bo. Pampanga, Davao City 8000
Tel: +63.82.224.5373**MANILA OFFICE**12th Floor, Udenna Tower, Rizal Drive Cor. 4th Ave., Bonifacio Global City, Taguig City 1634
Tel: +63.2.403.4015



Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

Opinion

We have audited the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and the notes to consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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



Key Audit Matters

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

(a) Revenue Recognition

Description of the Matter

We identified revenue recognition as a key audit matter because the amount is significant and it involves voluminous transactions at any given period of time, requires proper observation of cut-off procedures and testing of validity of transactions, and is one of the Group's key performance indicators. Revenues, which is comprised significantly of freight revenues, charter fees, passage fees, rendering of services and tugboat fees, amounted to P7.0 billion for the year ended December 31, 2019.

The Group's disclosures on its revenue recognition policy and disaggregation of revenues are fully disclosed in Notes 2 and 24, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, and assessing the design effectiveness of internal controls related to revenue recognition processes employed by the Group;
- Evaluating the appropriateness of the Group's revenue recognition in relation to its compliance with the requirements of PFRS 15, *Revenue from Contracts with Customers*, through testing charter agreements, billing invoices, vessel fixture notes, bills of lading and other related supporting documents, on a sample basis, to determine whether revenue transactions throughout the current period are properly recognized at the time (i.e., either at a point in time or over time);
- Confirming trade receivables, on a sample basis, as of the end of the reporting period from rendering of services; and, performing alternative procedures such as, but not limited to, examining cash receipts, or billing invoices and vessel fixture notes;
- Testing billing invoices and vessel fixture notes immediately prior and subsequent to the current reporting period to determine whether the related revenue transactions are recognized in the proper reporting period; and,
- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of revenues per vessel, per customer, and per service line, verifying validity of the underlying data used in the analyses, and following up variances from our expectations.



(b) Impairment of Goodwill

Description of the Matter

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. As of December 31, 2019, the Group's goodwill amounted to P5.7 billion. We considered the impairment of goodwill as a key audit matter because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process involves judgements, and significant assumptions about the future results of the business, and the discount rate and cash flow projections used in determining the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill is more fully described in Note 2 to the consolidated financial statements, while their corresponding carrying amounts are disclosed in Note 23 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Involving our own valuation specialist to assist in evaluating the reasonableness of the assumptions and methodology used by management and their external valuation expert in determining the cash-generating units attributable to the goodwill, which include the discount rate and the cash flow projections, by comparing them to external and historical data, and, performing independent sensitivity analysis of the projections and discount rate to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash-generating units to exceed the recoverable amount;
- Assessing the professional competence, reputation, experience and objectivity of the Group's external valuation expert as evidenced by certification, license or recognition by the appropriate professional organizations; and,
- Comparing the net present value of excess earnings attributable to the cash-generating units over which the goodwill was allocated.

(c) Adoption of PFRS 16, Leases

Description of the Matter

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, which replaced PAS 17, *Leases*, and the related interpretations to PAS 17. The adoption of this new standard, which primarily affected the Group's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements and the significant judgements involved in determining the assumptions to be used in applying the new standard.

Further, the recognition of right-of-use assets and lease liabilities, which are particularly covered by the provisions of PFRS 16, both amounted to P1.2 billion as at December 31, 2019 and is considered significant in amount relative to the Group's consolidated total assets and consolidated total liabilities.

The impact of the adoption of PFRS 16, and the related changes in accounting policies and bases of judgments and estimates, are disclosed in Notes 2 and 3 to the consolidated financial statements, while the carrying amounts of right-of-use assets, included as part of Property and Equipment, and lease liabilities, included as part of Interest-bearing Loans and Borrowings, as at December 31, 2019 are disclosed in Notes 9 and 12 to the consolidated financial statements, respectively. The new disclosure requirements of PFRS 16 are also discussed in Note 12 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the adoption of PFRS 16 included, among others, the following:

- Understanding the policies and procedures applied by the Group in identifying leases that qualify under PFRS 16, and leases that qualify under the recognition exemptions on short-term leases and low-value leases, as well as compliance therewith;
- Assessing the completeness of the lease contracts and verifying the accuracy of the lease information provided, considering the reconciliation of the Group's operating lease commitments;
- Evaluating the appropriateness of adjustments as a result of the adoption of PFRS 16 on the recognition and measurement of right-of-use assets and lease liabilities and determining the adequacy of related financial statement disclosures, including changes in accounting policies and bases of judgments and estimates; and,
- Evaluating the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of security, if any, and the economic environment in which the transaction occurs.

(d) Fair Value of Vessels and Vessel Equipment under Property and Equipment

Description of the Matter

The carrying amount of the Group's vessels and vessel equipment under the Property and Equipment account amounted to P18.7 billion. As allowed under PAS 16, *Property, Plant and Equipment*, the Group measures its vessels and vessel equipment based on a revalued amount, which represent fair market values at the date of the revaluation. Management determined the fair value based on the valuation made by independent appraisers every after drydocking of vessels, which is performed once every two years.

The fair valuation of the Group's vessels was significant in our audit as the amount is material to the consolidated financial statements and the determination of fair values includes significant assumptions and estimates.

The methods and assumptions used in determining the fair value of vessels is more fully described in Notes 3 and 27 to the consolidated financial statements while the revalued amount of vessels and vessel equipment as at December 31, 2019 is disclosed in Note 9.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of vessels and vessel equipment included:

- Determining whether the independent appraisers engaged by the Group has the necessary professional competency, reputation, experience and objectivity;
- Involving an independent expert to assist us in evaluating the results of the work performed by the Group's independent appraisers by understanding the methodology, process and data used in determining the fair value of vessels and vessel equipment; and,
- Assessing the appropriateness and reasonableness of bases used in the valuation such as the vessel's certificates, operating condition of the vessel equipment, main engine, and other auxiliary machineries and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission Form 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO


By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741

TIN 109-228-427

PTR No. 8116551, January 2, 2020, Makati City

SEC Group A Accreditation

Partner - No. 0395-AR-4 (until Sept. 16, 2022)

Firm - No. 0002-FR-5 (until Mar. 26, 2021)

BIR AN 08-002511-19-2018 (until Jan. 25, 2021)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 12, 2020

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udena Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 375,228,505	P 443,495,969
Trade and other receivables - net	5	2,225,735,811	1,430,045,495
Financial assets at fair value through profit or loss	6	3,947,736	3,947,736
Inventories	7	546,803,953	525,904,778
Advances to related parties	19	814,252,135	3,127,555,209
Other current assets	8	<u>1,088,657,865</u>	<u>963,520,687</u>
Total Current Assets		<u>5,054,626,005</u>	<u>6,494,469,874</u>
NON-CURRENT ASSETS			
Property and equipment - net	9	22,915,005,555	17,303,897,157
Investments in associates and a joint venture	10	6,416,269,582	1,821,168,833
Goodwill	23	5,713,122,608	5,641,434,544
Post-employment benefit asset	16	7,673,898	12,300,710
Deferred tax assets - net	18	375,161,580	283,345,565
Other non-current assets - net	11	<u>522,338,281</u>	<u>734,638,640</u>
Total Non-current Assets		<u>35,949,571,504</u>	<u>25,796,785,449</u>
TOTAL ASSETS		<u>P 41,004,197,509</u>	<u>P 32,291,255,323</u>

	Notes	2019	2018
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	13	P 10,759,925,409	P 3,496,662,037
Interest-bearing loans and borrowings	12	6,124,500,567	6,555,553,721
Advances from related parties	19	1,114,816,666	36,098,668
Advances from customers	2	55,788,185	14,484,333
Income tax payable		22,256,833	22,769,050
Total Current Liabilities		18,077,287,660	10,125,567,809
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	12	10,182,620,625	9,064,308,132
Post-employment benefit obligation	16	56,528,581	35,162,375
Deferred tax liabilities - net	18	163,931,353	82,471,428
Other non-current liabilities		70,283,902	58,792,374
Total Non-current Liabilities		10,473,364,461	9,240,734,309
Total Liabilities		28,550,652,121	19,366,302,118
EQUITY			
Equity attributable to shareholders of the Company			
Capital stock	20	1,821,977,615	1,821,977,615
Additional paid-in capital	20	9,998,370,157	9,998,370,157
Revaluation reserves	20	1,777,036,051	1,497,869,655
Other reserves	20	(1,058,033,280)	(1,058,033,280)
Retained earnings (Deficit)		(265,805,155)	484,769,058
		12,273,545,388	12,744,953,205
Non-controlling interest	20	180,000,000	180,000,000
Total Equity		12,453,545,388	12,924,953,205
TOTAL LIABILITIES AND EQUITY		P 41,004,197,509	P 32,291,255,323

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES	24			
Freight		P 2,440,858,768	P 1,708,880,761	P 1,387,445,706
Charter fees	19	1,889,509,748	1,721,642,369	1,194,216,186
Passage		1,423,269,213	969,290,258	773,491,556
Rendering of services		660,478,934	377,620,815	243,826,107
Tugboat fees		338,321,437	333,938,349	261,321,170
Sale of goods		127,599,231	36,643,669	25,815,744
Standby charges	19	93,507,012	24,015,822	23,050,935
		<u>6,973,544,343</u>	<u>5,172,032,043</u>	<u>3,909,167,404</u>
COST OF SALES AND SERVICES	14	<u>5,422,776,475</u>	<u>3,754,741,525</u>	<u>2,862,147,364</u>
GROSS PROFIT		<u>1,550,767,868</u>	<u>1,417,290,518</u>	<u>1,047,020,040</u>
OTHER OPERATING EXPENSES	15	<u>996,171,610</u>	<u>900,510,203</u>	<u>529,672,911</u>
OPERATING PROFIT		<u>554,596,258</u>	<u>516,780,315</u>	<u>517,347,129</u>
OTHER INCOME (CHARGES) - Net				
Finance costs	17	(1,226,043,366)	(835,388,144)	(516,979,233)
Share in net loss of an associate	10	(483,155,985)	(453,048,188)	(1,962,214)
Finance income	17	24,756,404	6,553,683	10,401,760
Gain on bargain purchase	23	-	4,370,340	-
Other income	17	157,346,787	138,602,416	143,921,531
		<u>(1,527,096,160)</u>	<u>(1,138,909,893)</u>	<u>(364,618,156)</u>
PROFIT (LOSS) BEFORE PRE-ACQUISITION INCOME AND TAX		<u>(972,499,902)</u>	<u>(622,129,578)</u>	<u>152,728,973</u>
PRE-ACQUISITION INCOME		<u>-</u>	<u>-</u>	<u>(105,375,776)</u>
PROFIT (LOSS) BEFORE TAX		<u>(972,499,902)</u>	<u>(622,129,578)</u>	<u>47,353,197</u>
TAX INCOME	18	<u>(140,738,902)</u>	<u>(71,596,622)</u>	<u>(113,866,526)</u>
NET PROFIT (LOSS)		<u>(P 831,761,000)</u>	<u>(P 550,532,956)</u>	<u>P 161,219,723</u>
Earnings (Loss) Per Share (Basic and Diluted)	21	<u>(P 0.457)</u>	<u>(P 0.302)</u>	<u>P 0.123</u>

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
NET PROFIT (LOSS)		(P 831,761,000)	(P 550,532,956)	P 161,219,723
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	632,951,901	167,829,312	67,317,920
Share in the remeasurement losses on post-employment benefit obligation of an associate	10	(26,478,210)	-	-
Remeasurement of post-employment benefit obligation	16	(9,799,526)	27,358,603	(1,317,864)
Share in the revaluation of vessels of an associate		-	-	108,049,607
Tax expense	18	(159,150,294)	(58,556,375)	(3,154,527)
		<u>437,523,871</u>	<u>136,631,540</u>	<u>170,895,136</u>
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	(715,045)	1,466,209	(223,517)
Fair value loss on disposed available-for-sale financial assets reclassified to profit or loss		-	-	(49,607)
Tax income		-	-	14,882
		<u>(715,045)</u>	<u>1,466,209</u>	<u>(258,242)</u>
Other Comprehensive Income - net of tax		<u>436,808,826</u>	<u>138,097,749</u>	<u>170,636,894</u>
TOTAL COMPREHENSIVE INCOME (LOSS) BEFORE PRE-ACQUISITION OTHER COMPREHENSIVE INCOME		(394,952,174)	(412,435,207)	331,856,617
PRE-ACQUISITION OTHER COMPREHENSIVE INCOME		-	-	55,484,964
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 394,952,174)	(P 412,435,207)	P 276,371,653

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Philippine Pesos)

	Notes	Attributable to Owners of the Parent Company					Non-controlling Interest	Total Equity					
		Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings (Deficit)			Total				
Balance at January 1, 2019	P	1,821,977,615	P	9,998,370,157	P	1,497,869,655	(P	1,058,033,280)	P	12,744,953,205	P	12,924,953,205	
As previously stated Restatement	2	-	-	-	-	-	-	-	(	16,189,848)	(	16,189,848)
As restated		1,821,977,615		9,998,370,157		1,497,869,655	(	1,058,033,280)		12,728,763,357	(	12,908,763,357
Total comprehensive income (loss) for the year		-	-	-	-	436,808,826	-	-	(	831,761,000)	(	394,952,174)
Share in stock insurance costs of an associate	10	-	-	-	-	-	-	-	(	60,265,795)	(	60,265,795)
Transfer of revaluation reserves through depreciation, net of tax	20	-	-	-	-	(	157,642,430)	-	-	157,642,430	-	-
Balance at December 31, 2019	20	P	1,821,977,615	P	9,998,370,157	P	1,777,036,051	(P	1,058,033,280)	P	12,273,545,388	P	12,453,545,388
Balance at January 1, 2018	P	1,821,977,615	P	9,998,370,157	P	1,429,917,004	(P	1,058,033,280)	P	965,156,916	P	13,157,388,412	
Additions during the year	20	-	-	-	-	138,097,749	-	-	(	550,532,956)	(	412,435,207)
Total comprehensive income (loss) for the year		-	-	-	-	-	-	-	-	70,145,098	-	-	
Transfer of revaluation reserves through depreciation, net of tax	20	-	-	-	-	(	70,145,098)	-	-	-	-	-
Balance at December 31, 2018	20	P	1,821,977,615	P	9,998,370,157	P	1,497,869,655	(P	1,058,033,280)	P	484,769,058	P	12,744,953,205
Balance at January 1, 2017	P	500,000,000	P	-	P	1,370,998,267	(P	1,058,033,280)	P	747,704,000	P	1,560,668,987	
Issuance of shares during the year	20	1,321,977,615		9,998,370,157		-	-	-	-	11,320,347,772	-	11,320,347,772	
Total comprehensive income for the year		-	-	-	-	115,151,930	-	-	-	161,219,723	-	276,371,653	
Transfer of revaluation reserves through depreciation, net of tax		-	-	-	-	(	56,233,193)	-	-	56,233,193	-	-
Balance at December 31, 2017	P	1,821,977,615	P	9,998,370,157	P	1,429,917,004	(P	1,058,033,280)	P	965,156,916	P	13,157,388,412	
	P										P	13,157,388,412	

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 972,499,902)	(P 622,129,578)	P 47,353,197
Adjustments for:				
Depreciation and amortization	9, 11	1,272,582,798	868,058,074	818,757,177
Interest expense	17	1,223,993,922	776,933,861	507,987,399
Share in net loss of an associate	10	483,155,985	453,048,188	1,962,214
Gain on sale of property and equipment	9	(30,909,664)	(1,326,971)	-
Unrealized foreign currency exchange losses (gains) - net	17	(9,240,000)	(23,242,597)	(5,526,564)
Impairment losses on property and equipment	9	7,394,742	-	-
Interest income	17	(3,209,084)	(3,626,087)	(4,875,196)
Reversal of impairment losses on property and equipment	9	(2,214,620)	-	-
Gain on bargain purchase	23	-	(4,370,340)	-
Gain on sale of available-for-sale (AFS) financial assets		-	-	(743,911)
Gain on sale of financial assets at fair value through profit or loss (FVTPL)		-	-	(87,784)
Fair value gain on disposed AFS reclassified to profit or loss		-	-	(49,607)
Operating profit before working capital changes		1,969,054,177	1,443,344,550	1,364,776,926
Decrease (increase) in trade and other receivables		(789,456,419)	(526,784,036)	976,280,103
Increase in inventories		(10,503,833)	(337,889,509)	(105,989,357)
Decrease (increase) in advances to related parties		2,313,303,074	(639,120,416)	(2,293,988,715)
Decrease (increase) in other current assets		(104,009,655)	(605,136,157)	73,902,652
Decrease (increase) in post-employment benefit asset		4,626,812	(4,110,656)	(1,998,671)
Decrease (increase) in other non-current assets		(22,918,855)	752,790,446	(1,558,687,549)
Increase (decrease) in trade and other payables		6,401,485,289	1,950,778,836	(538,558,532)
Increase in post-employment benefit obligation		11,566,680	25,932,098	5,216,732
Increase (decrease) in other non-current liabilities		11,491,528	(7,454,424)	1,853,715
Cash generated from (used in) operations		9,825,942,650	2,052,350,732	(2,077,192,696)
Interest received		3,209,084	3,626,087	4,875,196
Cash paid for Income taxes		(23,364,384)	(63,428,617)	(76,686,630)
Net Cash From (Used in) Operating Activities		9,805,787,350	1,992,548,202	(2,149,004,131)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(3,812,414,640)	(5,789,604,581)	(1,677,390,638)
Acquisitions of subsidiaries and additional investments in associates and a joint venture	10, 23	(5,165,000,739)	(110,089,751)	(2,290,863,390)
Proceeds from disposal of property and equipment	9	64,887,231	201,169,131	7,175,264
Proceeds from disposal of financial assets at FVTPL		-	-	7,419,684
Proceeds from disposal of AFS financial assets		-	-	3,809,000
Net Cash Used In Investing Activities		(8,912,528,148)	(5,698,525,201)	(3,949,850,080)
Balance carried forward	P	893,259,202	(P 3,705,976,999)	(P 6,098,854,211)

	Notes	2019	2018	2017
<i>Balance brought forward</i>		<u>P 893,259,202</u>	<u>(P 3,705,976,999)</u>	<u>(P 6,098,854,211)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans and borrowings	12	(3,307,245,190)	(1,281,746,979)	(2,151,099,154)
Proceeds from interest-bearing loans and borrowings	12	2,393,163,353	5,698,373,875	2,588,916,550
Interest paid	17	(1,166,580,151)	(719,520,091)	(320,911,526)
Proceeds from advances from related parties	19	1,113,921,827	35,203,829	1,438,012,897
Repayments of advances from related parties	19	(35,203,829)	(1,039,877,313)	(533,000,000)
Proceeds from issuance of shares of stock		-	-	5,272,347,772
Collection of subscription receivable	20	-	-	350,000,000
Additional deposits for future stock subscriptions		-	-	180,000,000
Net Cash From (Used In) Financing Activities		<u>(1,001,943,990)</u>	<u>2,692,433,321</u>	<u>6,824,266,539</u>
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		<u>-</u>	<u>-</u>	<u>27,270,309</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(108,684,788)</u>	<u>(1,013,543,678)</u>	<u>752,682,638</u>
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARIES	23	<u>40,417,324</u>	<u>15,335,457</u>	<u>180,081,121</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>443,495,969</u>	<u>1,441,704,190</u>	<u>508,940,431</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 375,228,505</u>	<u>P 443,495,969</u>	<u>P 1,441,704,190</u>

Supplemental Information for Non-cash Investing and Financing Activities:

In 2019 and 2018, the Group acquired certain transportation equipment through obtaining mortgage loans from a local bank totaling P21.6 million and P40.2 million, respectively (see Notes 9 and 12).

In 2019, the Group recognized Right-of-use assets and Lease liabilities amounting to P1,190.6 million and P1,234.5 million, respectively, and are presented as part of Property and Equipment and Interest-bearing Loans and Borrowings in the 2019 consolidated statement of financial position, respectively (see Notes 9 and 12).

In 2019, the Company acquired all of the outstanding shares of The Supercat Fast Ferry Corporation from 2GO Group, Inc. amounting to P650.0 million. The outstanding balance is presented as part of Trade and Other Payables account in the 2019 consolidated statement of financial position (see Notes 13 and 19).

In 2019, the Group reclassified Advances to suppliers under Other Non-current Assets amounting to P293.0 million to Construction in progress under Property and Equipment account (see Notes 9 and 11).

In 2018, the Group acquired certain machinery and equipment amounting to P76.8 million through a sale and leaseback agreement with a local bank (see Note 12).

In 2017, the Company acquired Udenna Investments B. V. (UIBV) from Udenna Corporation (Udenna) through share-for-share swap, where the Company issued 775,384,615 common shares in favor of Udenna, in exchange for shares of UIBV (see Note 10).

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Information and Operations

Chelsea Logistics and Infrastructure Holdings Corp. (CLC or the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as Chelsea Shipping Group Corp. on August 26, 2016 primarily to subscribe for, invest and re-invest in, purchase, or otherwise acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, deal in and hold investment or otherwise, any and all properties of every kind and description and wherever situated, including but not limited to shares of stocks, bonds, debentures, notes, evidences of indebtedness, promissory notes, or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, including, but not limited to, securities in corporations engaged in shipping and logistics.

On November 28, 2016 and May 12, 2017, the Company's Board of Directors (BOD) and stockholders approved the change in the corporate name of the Company from Chelsea Shipping Group Corp. to Chelsea Logistics Corp. and from Chelsea Logistics Corp. to Chelsea Logistics Holdings Corp., respectively, and for this purpose, amended the Company's Articles of Incorporation and By-laws, which were approved by the SEC on December 21, 2016 and June 27, 2017, respectively.

On August 8, 2017, the shares of stock of the Company were listed at the Philippine Stock Exchange (PSE).

On November 12, 2018, the Company's BOD approved the change in the corporate name of the Company from Chelsea Logistics Holdings Corp. to Chelsea Logistics and Infrastructure Holdings Corp. This was subsequently ratified by the Company's stockholders on March 15, 2019 and approved by the SEC on May 7, 2019.

The Company is 70% owned by Udenna Corporation (Udenna), a company primarily organized to purchase, acquire, take over and manage all or any part of the rights, assets, business and property; undertake and assume the liabilities of any person, firm, association, partnership, syndicate or corporation; and to engage in the distribution, selling, importation, installation of pollution control devices, units and services, and all other pollution control related products and emission test servicing.

The registered office of the Company and Udenna, which is also their principal place of business, is located at Stella Hizon Reyes Road, Bo. Pampanga, Davao City.

1.2 Subsidiaries, Associates and their Operations

As of December 31, 2019 and 2018, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership	
		2019	2018
Subsidiaries through direct interest:			
Chelsea Shipping Corporation (CSC)	(a)	100%	100%
Trans-Asia Shipping Lines, Incorporated (Trans-Asia)	(b)	100%	100%
Udenna Investments B. V. (UIBV)	(c)	100%	100%
Starlite Ferries, Inc. (Starlite)	(d)	100%	100%
Worklink Services, Inc. (WSI)	(e)	100%	100%
Tasli Services, Incorporated (TSI)	(f)	100%	-
The Supercat Fast Ferry Corporation (SFFC)	(g)	100%	-
Subsidiaries through indirect interest:			
Bunkers Manila, Inc. (BMI) ¹	(h)	100%	100%
Michael, Inc. (MI) ¹	(i)	100%	100%
PNX-Chelsea Shipping Corp. (PNX-Chelsea) ¹	(j)	100%	100%
Chelsea Ship Management & Marine Services Corp. (CSMMSC) ¹	(k)	100%	100%
Fortis Tugs Corporation (FTC) ¹	(l)	100%	100%
Davao Gulf Marine Services, Inc. (DGMSI) ²	(l)	100%	100%
Chelsea Marine Manpower Resources, Inc. (CMMRI) ¹	(m)	100%	100%
Chelsea Dockyard Corporation (CDC) ¹	(n)	100%	100%
CD Ship Management & Marine Services Corp. (CDSMMSC) ¹	(o)	100%	100%
Chelsea Shipping and Logistics Singapore Pte. Ltd. (CSLSP) ¹	(p)	100%	100%
Quality Metals & Shipworks, Inc. (QMSI) ³	(q)	100%	100%
Oceanstar Shipping, Inc. (Oceanstar) ³	(r)	100%	100%
Dynamic Cuisine, Inc. (DCI) ³	(s)	100%	100%
Starsy Shoppe, Inc. (SSI) ³	(t)	100%	100%
Star Maritima Port and Allied Services (Star Maritima) ³	(u)	100%	100%
Starbites Food Services Corp. (Starbites) ⁴	(v)	100%	100%
Starlite Gallant Ferries, Inc. (SGFI) ⁴	(d)	100%	100%
Starlite Premiere Ferries, Inc. (SPFI) ⁴	(d)	100%	100%
Big Hub Transport and Logistics Corp. (Big Hub) ³	(w)	100%	100%

Company Name	Explanatory Notes	Percentage of Ownership	
		2019	2018
Associates:			
KGLI-NM Holdings, Inc. (KGLI-NM)			
Preferred C shares	(x)	80%	80%
Dito Telecommunity Corporation (Dito)	(y)	25%	-
Dito Holdings Corp (DHC)	(z)	41.67%	-

¹Wholly owned subsidiary of CSC

²Wholly owned subsidiary of FTC

³Wholly owned subsidiary of Trans-Asia

⁴Wholly owned subsidiary of Starlite

Except for UIBV and CSLSP, which were organized and incorporated in the Netherlands and Singapore, respectively, all the subsidiaries and associates were organized and incorporated in the Philippines.

(a) Incorporated on July 17, 2006 and is engaged in the business of maritime trade in the conveyance or carriage of petroleum products, goods, wares and merchandise of every kind, over domestic and international oceans, seas, lakes, rivers, canals, harbours, and other waterways in the Philippines. CSC was acquired by the Company from P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI) on November 24, 2016.

(b) Incorporated on March 25, 1974 and is engaged in the transport of passengers and cargoes within Philippine territorial waters and/or in the high seas. Trans-Asia was acquired on December 12, 2016.

(c) Incorporated on August 25, 1994 under the laws of the Netherlands, having its corporate seat in Amsterdam, and is incorporated to participate in, to administer, to finance, to conduct the management of and to render advice and services to other companies and enterprises. UIBV is formerly known as KGL Investment B.V, a private company with limited liability.

UIBV owns 80% economic interest and 39.97% of the voting rights in KGLI-NM, which holds 35.22% economic interest in 2GO Group, Inc. (2GO). Hence, the Company has a 28.18% indirect economic interest in 2GO.

(d) Incorporated on August 25, 1994 and is primarily engaged in general business of domestic shipping, to own and operate vessels of any class, type of description for domestic trade, to charter in and out any such vessel.

On August 10 and October 22, 2018, Starlite acquired all of the outstanding shares of stock of SGFI and SPFI, respectively. Both companies are primarily engaged in the general business of domestic shipping; to own and operate vessel of any class, type or description for domestic trade; and, to charter in and out any vessel.

(e) Incorporated on June 2, 1994 and is engaged in logistics services such as but not limited to cargo freight forwarding (air, land and sea), cargo consolidation, courier services, distribution, trucking, warehousing, customs brokerage, packing and crafting, etc.

(f) Incorporated on September 2, 2019 and is primarily engaged in shipping agency business and maritime operation and services.

- (g) Incorporated on June 20, 2001 and is primarily engaged to own and operate mixed passenger/cargo vessels for domestic (local) trade, to charter out any such vessels and to provide complete marine services, as principal or agent, to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic (local) marine and maritime business, such as, but not limited to, acting as managers of ships or their crew, acting as ship chandler, shipbroker and trading in maritime supplies and equipment; and to own, control, supervise, construct, maintain, operate passenger terminals and provide such facilities or services as shall be necessary to upgrade and provide safe, efficient and reliable terminals, rent out terminal spaces to food concessionaires and other allied services related to the operation and management of passenger terminals.

On October 9, 2019, the Company acquired all of the outstanding shares of SFFC from 2GO.

- (h) Incorporated on March 7, 2000 and is established to serve the growing demand of marine fuel (bunker) of foreign vessels calling on the ports of the Philippines and hauling of marine fuel and petroleum products for major oil companies.
- (i) Incorporated on December 26, 1957 and is engaged in the business of acquiring and operating floating equipment for charter or hire and for the conveyance and carriage of goods, wares, and merchandise of every description in the Philippines coastwise traffic without any fixed schedule.
- (j) Incorporated on February 2, 2011 and is engaged in the ownership and operation of vessels for domestic trade for the purpose of conveyance or carriage of petroleum products, goods, wares and merchandise of every kind and description.
- (k) Incorporated on March 30, 2012 and is engaged in the business of ship management and to act as agent, broker, ship handler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.
- (l) Incorporated on April 8, 2013 and is engaged in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbours, and other waterways between the various ports of the Philippines.

On December 15, 2016, FTC acquired 100% of the outstanding capital stock of DGMSI, a Davao-based tug service provider. DGMSI is engaged in, operates, conducts, and provides tug and marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

- (m) Incorporated on June 9, 2016 and is primarily engaged in the business of providing full and partial crewing for domestic and foreign vessels, to act as the authorized representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.
- (n) Incorporated on January 8, 2018 and is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities. As of December 31, 2019, CDC has not yet started commercial operations.

- (o) Incorporated on March 14, 2018 and is engaged to carry on the business of ship management and to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels belonging to or which are or may be leased or operated by said shipping corporations and individuals and for such purpose, to act as principal in and hire the services of a local manning agent for the overseas employment for seamen, and to equip any and all kinds of ships, barges and vessels of every class and description owned by any shipping corporation.
- (p) Incorporated and domiciled in the Republic of Singapore and is primarily engaged in the business and management consultancy services. CSLSP has not yet started commercial operations as of December 31, 2019.
- (q) Incorporated on November 28, 2007 and is engaged in machining and mechanical works on ship machineries and industrial plants.
- (r) Incorporated on July 6, 2006 primarily to engage in the business of domestic shipping for the transportation of passengers and cargoes with territorial waters and/or in the high seas and is presently engaged in the charter or lease of maritime vessels.
- (s) Incorporated on June 21, 2000 primarily to establish and maintain restaurant, coffee shops, refreshment parlors, cocktail lounges and cater goods, drinks, refreshments and other food commonly served in such establishments.
- (t) Incorporated on December 31, 2005 and is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.
- (u) Incorporated on October 11, 2018 and is primarily engaged in arrastre services. As of December 31, 2019, Star Maritima has not yet started commercial operations.
- (v) Incorporated on June 27, 2018 and is engaged to purchase all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation, for purposes of selling the same on retail or wholesale locally.
- (w) Incorporated on November 14, 2018 and is primarily engaged to act as cargo consolidator, to engage in the business of transporting by land natural persons and/or their baggages, cargo, goods merchandise or effects, and to own, lease or charter, offer for lease or charter or operate land vehicles such as, but not limited to buses, cars, jeeps or vans.
- (x) Organized under Philippines laws and registered with SEC on August 8, 2008 as an investment holding company.

- (y) Incorporated on September 25, 1997 and is primarily engaged to establish, maintain and operate commercial telephone and telecommunications systems and to engage and/or operate in the telecommunications business, and own, construct, maintain, operate, manage, install and establish commercial telecommunications multi-point domestic inter-island and international communications including coastal stations for ships-at-sea, aeronautical stations for aircraft in flight within and outside the territorial jurisdiction of Philippines, telephone, telephone exchange, video telephone system, facsimile, teleprinting, teletype, telephoto, voice/data telex, message service and other telecommunications services, experimental or amateur stations and/or terminals and associated equipment and facilities, tropospheric scatter systems, satellite service communications, microwave extensions, cable TV installation and operations, and other means now known to science, or which in the future may be developed for the reception and transmission of telecommunications services, and to conduct researches and inventions in connections therewith.

On June 27, 2019, CLC subscribed to 25% of the outstanding capital stock of Dito. Dito has not yet started commercial operations as of December 31, 2019.

- (z) Incorporated on November 4, 2019 and is primarily engaged to acquire, hold, sell, exchange, deal and invest in real or personal property of all kinds, including stocks, bonds, or securities of any public or private corporation, including any government or any subdivision thereof, in the same manner and to the extent as a natural person might, could, or would do, to exercise all the rights, powers, and privileges of ownership, including the right to vote therein, or consent in respect thereof, for any and all purposes, without however managing securities, portfolio, or funds of the managed entity or firm, nor shall the corporation act as a stock dealer in securities or broker, nor engage in investment solicitation nor take investments from the public sector. The Company subscribed to 41.67% ownership interest in DHC.

DHC has not yet started commercial operations as of December 31, 2019.

CLC together with CSC, Trans-Asia, UIBV, Starlite, WSI, TSI, SFFC and their respective subsidiaries are collectively referred herein as the Group.

1.3 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Company's BOD on February 12, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents consolidated statement of comprehensive income separate from the consolidated statement of profit or loss.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the functional and presentation currency of the Company, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2019 that are Relevant to the Group*

The Group adopted for the first time the following PFRS, amendments, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PFRS 16	:	Leases
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement

PAS 28 (Amendments)	:	Investments in Associates – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty Over Income Tax Treatments
Annual Improvements – (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

Discussed below are the relevant information about these pronouncements.

- (i) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Retained Earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.17(a), while the accounting policies of the Group as a lessor, as described in Note 2.17(b), were not significantly affected.

Discussed below and in the succeeding page are the relevant information arising from the Group’s adoption of PFRS 16 and how the related accounts are measured and presented on the Group’s consolidated financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

- b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.88%.
- c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at their carrying amounts as if the new standard had been applied since commencement date, but discounted using the Group's incremental borrowing rates at the date of initial application.
- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.
- e. For those leases previously classified as finance leases, the Group recognized the related right-of-use asset and lease liability at the date of initial application at the same amounts as the carrying amount of the capitalized asset and finance lease obligation under PAS 17 immediately before transition.
- f. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
 - i. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,
 - ii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Notes	Carrying Amount (PAS 17) December 31, 2018	Reclassification	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Assets:					
Other current assets	c	P 963,520,687	(P 787,500)	P -	P 962,733,187
Property and equipment - net	c, e	17,303,897,157	787,500	191,795,340	17,496,479,997
Liabilities:					
Trade and other payables		3,496,662,037	(5,645,270)	-	3,496,662,037
Interest-bearing loans and borrowings	b, e	15,619,861,853	5,645,270	207,985,188	15,833,492,311
Impact on net assets			P -	(P 16,189,848)	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	<u>Notes</u>	
Operating lease commitments,		
December 31, 2018 (PAS 17)	22.3	P 338,792,650
Recognition exemptions		
Lease of low value assets		
Leases with remaining term of less than 12 months	(	62,624,157)
Reasonably certain extension options		<u>16,842,704</u>
Operating lease liabilities before discounting		293,011,197
Discount using incremental borrowing rate	(	79,380,739)
Operating lease liabilities		213,630,458
Obligation from finance leases		<u>59,881,242</u>
Lease liabilities, January 1, 2019 (PFRS 16)		<u>P 273,511,700</u>

- (ii) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that the past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). The standard is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured with the discount rate used in the remeasurement [also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)].

The application of the amendments did not have a material impact in the Group's consolidated financial statements.

- (iii) PAS 28 (Amendments), *Investment in Associates – Long-term Interests in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The adoption of the amendments did not result in a material impact in the Group's consolidated financial statements as the Group's investments in associates and joint venture is accounted for using the equity method; hence, are excluded in the scope of PFRS 9.

- (iv) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. Management has assessed that the application of the amendments did not have a material impact on the Group's consolidated financial statements.
- (v) Philippine Interpretations, *IFRIC 23 – Uncertainty Over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management has assessed that the application of the interpretation did not have a material impact on the Group's consolidated financial statements.
- (vi) Annual Improvements to PFRS. Annual Improvements to PFRS (2015-2017 Cycle) made minor amendments to a number of PFRS, which are effective for the annual periods beginning on or after January 1, 2019. Among those improvements, the following amendments are relevant to the Group but did not have material impact on the Group's consolidated financial statements:
 - (a) PAS 12 (Amendments), *Income Taxes – Tax Consequence of Dividends*. The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
 - (b) PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.
 - (c) PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are new amendments and annual improvements that are effective for annual periods beginning after January 1, 2019. The Group will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective January 1, 2020). The amendments refine the definition of 'material' in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.
- (ii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business* (effective January 1, 2020). The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.
- (iii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. The Group assessed that their current accounting policies are still appropriate under the revised framework.

- (iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company and its subsidiaries as enumerated in Note 1.2, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles.

The Company accounts for its investments in subsidiaries, associates and joint venture as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the investee; (ii) it is exposed, or has rights to, variable returns from its involvement with the entity; and, (iii) has the ability to affect those returns through its power over the entity. Except for acquisitions involving entities under common ownership that are accounted for under the pooling-of-interest method, the acquisition method is applied to account for acquired subsidiaries (see Note 2.12). Subsidiaries are consolidated from the date the Company obtains control.

The Company reassesses whether or not it controls an entity if facts and circumstances indicates that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) Investments in Associates

Associates are entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the Group's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within the Other Income (Charges) account in the consolidated statement of profit or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Impairment loss is provided when there is objective evidence that the investments in associates will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) *Investment in a Joint Venture*

A joint venture pertains to a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture entity pertains to an entity whose economic activities are controlled jointly by the Group and by other venturers independent of the Group (joint venturers). Investment in joint venture is accounted for under the equity method of accounting. Under this method, the investment in joint venture is recognized at cost on initial recognition, and the carrying amount is increased or decreased to recognize the investor's share in the profit or loss of the investee after the date of the acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

The investment in a joint venture is subject to impairment testing (see Note 2.18).

(d) *Transactions with Non-Controlling Interests (NCI)*

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee, its chief operating decision-maker. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 24, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any ECL.

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees), Advances to Related Parties and Security deposits and Restricted cash presented as part of Other Current Assets and Other Non-Current Assets accounts, in the consolidated statement of financial position.

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

The Group may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at financial assets at FVTPL (FVTPL) if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. The Group has not made such designation.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Finance Income.

(ii) *Financial Assets at FVTPL*

Debt instruments that do not meet the amortized cost criteria, or that meet the criteria but the Group has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL. Equity investments are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at financial assets at FVOCI (FVOCI) at initial recognition. The Group's financial assets at FVTPL include equity securities which are designated as at FVTPL.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Unrealized gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL category and realized gains or losses arising from disposals of these instruments are included in as part of Finance Income in the consolidated statement of profit or loss.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will be effected only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognized allowance for ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at a reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of future cash flows of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and other financial assets at amortized cost. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators, forward-looking information, and other qualitative factors (including possible offsetting) to calculate the ECL using a provision matrix. The Group also assesses impairment of trade and other receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due.

For advances to related parties which all are repayable on demand, the ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within the next 12 months (12-month ECL). When there has been a significant increase in credit risk on a financial asset, a loss allowance is required for credit losses expected over the remaining life of exposure, irrespective of the timing of the default (lifetime ECL). Accordingly, ECLs are based on the assumption that repayment of the advances or loans is demanded at the reporting date taking into consideration the historical defaults of the related parties. Management considers if the related party has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date. For cash and cash equivalents, the Group applies low credit risk simplification and measures the ECL on the financial assets based on a 12-month ECL basis unless there has been a significant increase in credit risk since origination, in which case, the loss allowance will be based on lifetime ECL.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost, which includes all costs directly attributable to acquisitions, such as purchase price and other taxes that are not subsequently recoverable from taxing authority is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The net realizable value of fuel and spare parts inventories is the current replacement cost.

2.7 Property and Equipment

Vessels are measured at fair value less accumulated depreciation, amortization and accumulated impairment losses, if any. Land is measured at cost less any accumulated impairment losses. All other items of property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred, except for periodic drydocking costs performed at least every two years on the vessel, which are capitalized (see Note 2.8).

Following initial recognition at cost, vessels are carried at revalued amounts, which are the fair values at the date of revaluations less subsequent accumulated depreciation and any accumulated impairment losses.

Revalued amounts represent fair values determined based on valuation performed by external professional appraiser every after drydocking, which is done once every two years. In addition, appraisal of vessels is conducted more frequently if market factors indicate a material change in fair value (see Note 27.4).

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the consolidated statement of financial position. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Annually, an amount from the Revaluation Reserves is transferred to Retained Earnings for the related depreciation relating to the revaluation increment. Upon disposal of the revalued assets, amount included in Revaluation Reserves is transferred to Retained Earnings.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Vessels and vessel equipment [see Note 3.2(d)]	2 to 35 years
Building	20 years
Office furniture, fixtures and equipment	2 to 10 years
Transportation equipment	2 to 5 years

Leasehold improvements are amortized over the estimated useful lives of the assets of five to ten years or the lease term, whichever is shorter.

Fully depreciated and fully amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

Construction-in-progress (CIP) represents vessels and properties under construction and on-going major repair works and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed, and adjusted, if appropriate, at the end of each reporting period [see Note 3.2(d)].

An item of property and equipment, including the related accumulated depreciation and amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Drydocking Costs

Drydocking costs, presented as part of Vessels and vessel equipment under the Property and Equipment account, are considered major repairs that preserve the life of the vessels. As an industry practice, costs associated with drydocking are capitalized as part of the vessel and amortized on a straight-line basis over two years or until the next drydocking occurs, whichever comes earlier (see Note 2.7). When significant drydocking expenditures occur prior to their expiry of this period, any remaining unamortized balance of the original drydocking costs is expensed in the month of subsequent drydocking.

Amortization of drydocking costs starts only when the process has been completed and the related vessel is ready for use.

The carrying amount of drydocking costs is derecognized upon derecognition of the related vessels. The computed gain or loss arising on derecognition of the vessel takes into consideration the carrying amount of drydocking costs and is included in profit or loss in the year the related vessel is derecognized (see Note 2.7).

2.9 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.10 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other tax-related liabilities] and advances from related parties are recognized when the Group becomes a party to the contractual terms of the instrument.

Interest-bearing loans and borrowings include loans that are raised for support of the investing activities and working capital requirements of the Group and lease liabilities. Finance charges, including direct issue costs, are charged to profit or loss, except for capitalized borrowing costs, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Interest charges that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset (see Note 2.20). All other interest-related charges incurred on a financial liability are recognized as an expense in the consolidated statement of profit or loss.

Trade and other payables and advances from related parties are initially recognized at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period (or in the normal operating cycle of the business, if longer), or does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the consolidated financial instruments.

2.12 Business Combinations

Business combination involving entities under common control are accounted for under the pooling of interest method. Under this method, the assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize new assets and liabilities.

All other business combinations are accounted for using the acquisition method. The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expenses as incurred and subsequent changes in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable assets.

In cases wherein the accounting for the acquisition is not yet complete as of the end of the year, the fair value of the identifiable assets and liabilities are presented as provisional amounts and will be adjusted upon finalization of the valuation, which is expected to be completed within 12 months from the date of acquisition.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.18).

Negative goodwill or gain on bargain purchase, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition costs, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Advances from Customers

Advances from customers are measured at the amount of cash received from the customers under bareboat (BB) agreements and are derecognized once the related revenue transactions are consummated.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and rendering of services measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding VAT and discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

1. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
2. each party's rights regarding the goods or services to be transferred or performed can be identified;
3. the payment terms for the goods or services to be transferred or performed can be identified;
4. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
5. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The following specific recognition criteria must be met before revenue is recognized:

- (a) *Freight* – Revenue from freight services pertains to the transport of cargoes (rolling, bulk or containerized) from one port to another, is recognized over time, and is generally based on a rate per cubic meter or weight of the cargo, whichever is higher, while rates for containerized cargo are based on a fixed rate per container.
- (b) *Charter fees* – Revenue, which consists mainly of charter income arising from the charter hire of its vessels, is recognized based on the type of charter arrangement entered into, either under a continuing voyager charter (CVC), time charter (TC) or BB arrangement [see Note 3.1(b)].

Revenues from BB arise from the hiring of vessels for a specified period of time, with no administration or technical maintenance included as part of the agreement. This arrangements qualify as lease; hence, revenue is recognized on a straight-line basis over the term of the contract [see Note 2.16(a)(ii)].

On the other hand, revenues from TC and CVC arise from the delivery of liquid cargoes to the customers' premises such as the customers' vessels, oil depots or terminals or fuel tanks, and is recognized over time, with the distinction that in a TC, bunkering and port charges are shouldered by the customer.

- (c) *Passage* – Revenue, which pertains to the transport of passengers from one port to another within the Philippines, is recognized over time and is based on the published tariff rates per passenger and route of the vessel. The duration of routes generally ranges from one to ten hours.

The Group incurs incremental commission fees paid to travel agencies for each passenger booked through such intermediary. These amounts are expensed as incurred.

- (d) *Tugboat fees* – Revenue, which consist of fees arising from assisting domestic and international vessels in docking, undocking, shifting, towing, ferry services, tugboat usage and delivery services, is recognized over time. The duration of such services normally ranges between one to four hours. Fees are based on agreed hourly rates for the use of tugboats.

The Group incurs incremental commission fees paid to intermediaries in connection with the provision of tugboat services. These amounts are expensed as incurred.

- (e) *Rendering of services* – Revenue from rendering of services generally include performance of ship management and crewing services, warehousing and distribution services. Ship management and crewing services are recognized over time based on the terms of the contract which assumes that the customer receives the benefits as the Group performs the service. Warehousing revenues is generally based on a fixed rate per pallet position for ambient or fixed rate per hour for cold storage. On the other hand, distribution services are generally recognized over time when the performance of the contractually agreed-upon services have been rendered i.e., when cargoes are received by either the shipper or consignee for delivery transactions.
- (f) *Standby charges* – Revenue is recognized at a point in time i.e., upon failure of the charterer to utilize/dispatch the tanker vessels within the allotted lay-time initially agreed upon with the Group.
- (g) *Sale of goods* – Revenue, which primarily include sale of food and beverage items to the vessels' passengers, is recognized at a point in time i.e., when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has taken undisputed delivery of goods.

Revenues from TC, CVC, passage, freight, tugboat fees, and rendering of services are recognized over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

Prior to 2018, the Group recognized revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs, which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Accounting for Leases in Accordance with PFRS 16 (2019)*

As described in Note 2.1, the Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under PAS 17 and IFRIC 4.

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(i) *Group as Lessee*

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. On the consolidated statement of financial position, right-of-use assets have been included under Property and Equipment account and lease liabilities have been included under Interest-bearing Loans and Borrowings account.

(ii) Group as Lessor

The Group's accounting policy under PFRS 16 has not changed from the comparative period. As a lessor, the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

(b) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

(i) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are presented as Obligations under finance lease under Interest-Bearing Loans and Borrowings account in the 2018 consolidated statement of financial position.

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

(ii) Group as Lessor

Leases wherein the Group substantially transfers to the lease all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Lease income from operating lease is recognized at the agreed rates over the lease term.

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

2.17 Functional Currency and Foreign Currency Transactions

(a) Transactions and Balances

The accounting records of the Group, except UIBV and CSLSP, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of UIBV and CSLSP are maintained in United States (U.S.) dollar.

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of UIBV and CSLSP are translated to Philippine pesos, the Company's functional and presentation currency, as presented below.

- (i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each profit or loss account are translated at average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statements of profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the financial statements into Philippine peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

Goodwill is tested for impairment at least annually. All other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, periods of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability or asset recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by using the reference rates published by Bloomberg through its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL rates provide evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement of profit and loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Share-based Employee Compensation

The Group grants share options to key executive officers eligible under a stock option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss with a corresponding credit to Retained Earnings (Deficit).

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of options that ultimately vest on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of the share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(e) Profit-sharing and Bonus Plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Trade and Other Payables account in the consolidated statement of financial position.

(g) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions amounting to more than P1.0 billion that were entered into with a related party, either individually or in aggregate value over a 12-month period with the same related party, are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transactions (RPT) may be ratified by the vote of the stockholders representing at least two-thirds of the capital stock. For aggregate RPT transactions within a 12-month period that breaches the materiality threshold of P1.0 billion, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.23 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Revaluation reserves comprise gains and losses arising from the revaluation of the Group's vessels, remeasurements of post-employment defined benefit plan and cumulative translation adjustments on financial statements of foreign subsidiaries.

Other reserves pertain to the difference between the Company's cost of investment and the net identifiable assets of the acquired entities in a business combination accounted for under the pooling-of-interest method.

Retained earnings (deficit) represent all current and prior period results of operations as reported in the consolidated statement of profit or loss.

2.24 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net profit (loss) attributable to the Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Company does not have potentially dilutive shares outstanding; hence, the diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of warehouses and offices, the factors that are normally the most relevant are (a) if significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group assessed that the renewal period of certain leases of warehouses and offices should not be included in the lease term, as there is no reasonable certainty that such renewal option will be exercised. In addition, renewal options of some leases are deemed unenforceable as they depend on the mutual agreement of both lessor and lessee. Moreover, the Group also assessed that the termination option for a certain office lease is reasonably certain not to be exercised.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

In determining the appropriate method to use in recognizing the Group's revenues from TC, CVC, passage, freight, tugboat fees and rendering of services, management determines that revenue is recognized over time when the Group transfers control of the services over time, based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided, because the customer receives and uses the benefits simultaneously.

On the other hand, revenues from sale of goods and stand-by charges shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer acknowledged delivery of goods.

(c) Business Model Assessment

The Group's classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(d) Assessment of Control or Significant Influence over an Investee Company

Judgment is exercised in determining whether the Group already has significant influence or control over an entity. In assessing each interest over an entity, the Group considers the power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's return.

Management assessed that the Company only has a significant influence over KGLI-NM even though it holds an 80% economic interest in KGLI-NM as its voting rights equate only to 39.97% (see Notes 1.2 and 10). It has also considered the ability of the Group to influence the operating and financial policies of the investee, representation on the board of directors of the investee and routine participation in management decisions in making its judgment and have assessed that it could only exercise significant influence and not control over KGLI-NM.

(e) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management in 2018 and prior years to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

Management has assessed that the sale and leaseback arrangement with a non-bank financing institution in 2018 is accounted for as a finance lease. All other leases are accounted for as operating lease.

In 2019, upon adoption of PFRS 16, distinction between operating and finance leases are applicable only to lease agreements as a lessor. All leases entered into as a lessee, except for those qualified under the optional exemptions as provided by the standard, are required to be recognized on-balance sheet.

(f) Capitalization of Borrowing Costs

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or should be expensed outright. The accounting treatment for the finance costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to bring the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are presented as in the succeeding page.

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using reasonable rates deemed by management equal to the Group's incremental borrowing rates. In determining a reasonable discount rate, management considers the term of the lease, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Impairment of Trade and Other Receivables, Security Deposits and Advances to Related Parties*

The Group measures impairment of trade and other receivables and security deposits at an amount equal to lifetime ECL. The expected credit losses on trade and other receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors (including possible offsetting of outstanding liability with the debtor), general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In relation to advances to related parties, PFRS 9 notes that the maximum period over which expected impairment losses should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period refers only to the short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related party's highly liquid assets in order to repay the loan if demanded at the reporting date taking into consideration the historical defaults of the related party.

(c) *Determining Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Future realization of the carrying amounts of inventories as presented in Note 7 is affected by price changes and action from the competitors. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial reporting period.

(d) *Estimating Useful Lives and Residual Values of Property and Equipment*

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are 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. The Group also reviews the residual value of its property and equipment to ensure that the amount reflects the future economic benefits embodied in these vessels at the point of disposal.

The carrying amounts of property and equipment are analyzed in Note 9. In 2019, management revised the residual value of its vessels. This change in accounting estimate was applied prospectively, beginning January 1, 2019, and resulted in the decrease in depreciation totaling P103.4 million during the year and in the succeeding periods. Also, in 2018, management changed the estimated useful lives of brand new vessels from 30 to 35 years and container yards from five years to ten years. This change in accounting estimate was also applied prospectively, beginning January 1, 2018, and resulted in the decrease in depreciation of certain vessels and container yards totaling P58.4 million during the year and in the succeeding periods.

(e) Fair Value Measurement of Vessels and Vessel Equipment

The Group's vessels and vessel equipment, included as part of Property and Equipment, are carried at revalued amounts at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraiser applying the relevant methodologies as discussed in Note 27.4.

For the Group's vessels and vessel equipment with valuation conducted prior to the end of the reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those assets.

A significant change in the elements discussed in Note 27.4 may affect prices and the value of the assets. The amounts of revaluation recognized on the Group's vessels are disclosed in Note 9.

(f) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. Management assessed that the deferred tax assets recognized as at December 31, 2019 and 2018 will be fully utilized in the coming periods. The carrying value of deferred tax assets as of December 31, 2019 and 2018 is disclosed in Note 18.2.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that a certain vessel is impaired as of December 31, 2019. The Group has recognized impairment losses amounting to P7.4 million and is presented as Impairment losses on property and equipment under Cost of Sales and Services in the 2019 consolidated statement of profit or loss (see Notes 9 and 14). No impairment losses are required to be recognized on the Group's non-financial assets in 2018 and 2017.

(h) *Valuation of Post-employment Defined Benefit Obligation*

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and expected salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 16.2.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2019</u>	<u>2018</u>
Cash on hand and in banks	P 362,873,262	P 429,068,769
Short-term placements	<u>12,355,243</u>	<u>14,427,200</u>
	<u>P 375,228,505</u>	<u>P 443,495,969</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods from 30 to 90 days and earn effective interest ranging from 1.00% to 3.50% both in 2019 and 2018.

The balances of cash on hand and in banks as of December 31, 2019 and 2018 did not include an amount of P20.7 million and P1.6 million, respectively, which is shown as Restricted cash under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 11). Such amount is not available for the general use of the Group as this is reserved for principal and interest payments for certain loans (see Note 12.1).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Trade receivables	19.1, 19.3	P 2,012,718,072	P 1,288,836,808
Due from agencies		172,264,135	65,397,867
Advances to officers and employees		20,909,146	60,134,374
Claims receivables		16,658,828	16,332,854
Others		<u>22,689,807</u>	<u>16,945,367</u>
		2,245,239,988	1,447,647,270
Allowance for expected credit losses		(<u>19,504,177</u>)	(<u>17,601,775</u>)
		<u>P 2,225,735,811</u>	<u>P 1,430,045,495</u>

All of the Group's trade and other receivables have been assessed for impairment using ECL methodology. Based on the assessment made using the provisional matrix as determined by the management, adequate amounts of allowance for ECL has been provided (see Note 25.2).

A reconciliation of the allowance for ECL at the beginning and end of 2019 and 2018 is shown below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 17,601,775	P 17,601,775
Balance from acquired subsidiary	<u>1,902,402</u>	<u>-</u>
Balance at end of year	<u>P 19,504,177</u>	<u>P 17,601,775</u>

Trade and other receivables are unsecured and do not bear any interest. All receivables, except for advances to officers and employees, are subject to credit risk exposure (see Note 25.2).

Due from agencies represent claims from authorized agencies for tickets issued to customers.

Claims receivables include charges made by the customers to the Group for claims on damages due to handling of goods and/or cargoes. These are reimbursable from the transacting agency.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

Certain trade receivables amounting to P333.2 million and P479.7 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of the Group's interest-bearing loans (see Note 12.1).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account represents investments in equity securities that are listed in the PSE that have been designated by management as financial assets at FVTPL upon initial recognition. The fair values of equity securities have been determined directly by reference to quoted bid prices in active markets (see Note 27.2).

There were no changes in the fair values of financial assets at FVTPL for the years ended December 31, 2019 and 2018.

7. INVENTORIES

This account includes the following:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Spare parts		P 335,357,723	P 164,896,119
Fuel and lubricants	19.2	165,527,972	216,726,685
Shipping supplies		42,169,599	122,627,585
Food, beverage and other supplies		3,748,659	20,745,196
Electrical parts		<u>-</u>	<u>909,193</u>
		<u>P 546,803,953</u>	<u>P 525,904,778</u>

As of December 31, 2019 and 2018, based on management's assessment, the net realizable value of all of the Group's inventories is higher than its cost.

Spare parts include inventory items such as bearings, cylinders, fuel injectors and other items used for the repair or replacement of vessel that does not meet the definition of property and equipment in accordance with PAS 16.

Costs incurred relating to these inventories, such as Bunkering, Repairs and maintenance and Supplies, are presented under the Cost of Sales and Services account in the consolidated statements of profit or loss (see Notes 14 and 15).

As of December 31, 2019 and 2018, there are no inventories pledged as security for any of the Group's liabilities as of the end of each reporting period.

8. OTHER CURRENT ASSETS

The breakdown of this account as of December 31, 2019 and 2018 follows:

	Notes	2019	2018
Input VAT		P 328,432,137	P 470,121,365
Deferred input VAT		268,563,972	155,837,184
Creditable withholding taxes		247,937,317	175,798,416
Prepayments		145,954,235	88,413,417
Deferred charges		69,603,867	52,091,850
Advances to suppliers		21,918,067	9,625,658
Restricted cash	4	6,248,270	-
Security deposits	19.3, 22.3	-	11,462,687
Others		-	170,110
		<u>P 1,088,657,865</u>	<u>P 963,520,687</u>

Prepayments primarily include prepaid taxes and licenses, rentals, and insurance.

Deferred input VAT pertains to the input VAT on services rendered to the Group that remains to be unpaid.

Deferred charges pertain to downpayment made to suppliers for various future projects that are under pre-development.

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 12.1)

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment loss of property and equipment at the beginning and end of 2019 and 2018 are shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right-of-Use Assets	GP	Total
December 31, 2019								
Cost or revalued amounts	P 1,413,263,540	P 25,044,105,607	P 182,402,234	P 228,140,385	P 162,511,778	P 1,234,551,265	P 1,280,335,958	P 29,545,750,767
Accumulated depreciation and amortization	-	(6,341,314,360)	(85,950,943)	(44,761,043)	(107,326,845)	(43,587,279)	-	(6,623,350,470)
Accumulated impairment loss	-	(7,354,742)	-	-	-	-	-	(7,354,742)
Net carrying amount	P 1,413,263,540	P 18,695,396,505	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,963,986	P 1,280,335,958	P 22,915,005,555
December 31, 2018								
Cost or revalued amounts	P 1,383,120,059	P 17,474,604,261	P 159,722,803	P 101,709,707	P 168,388,806	P -	P 1,332,056,903	P 20,615,602,535
Accumulated depreciation and amortization	-	(3,119,163,120)	(56,951,215)	(36,449,858)	(100,926,525)	-	-	(3,313,490,762)
Accumulated impairment loss	-	(2,214,620)	-	-	-	-	-	(2,214,620)
Net carrying amount	P 1,383,120,059	P 14,353,226,521	P 102,771,588	P 65,259,809	P 67,462,277	P -	P 1,332,056,903	P 17,303,897,157
January 1, 2018								
Cost or revalued amounts	P 211,673,585	P 13,379,152,304	P 114,549,466	P 51,089,515	P 128,551,325	P -	P 588,837,757	P 14,473,864,356
Accumulated depreciation and amortization	-	(3,004,776,365)	(46,055,605)	(30,714,077)	(86,958,008)	-	-	(3,168,544,055)
Accumulated impairment loss	-	(2,214,620)	-	-	-	-	-	(2,214,620)
Net carrying amount	P 211,673,585	P 10,372,171,319	P 68,453,861	P 20,375,438	P 41,593,317	P -	P 588,837,757	P 11,303,105,661

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2019 and 2018 is shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Leasehold Improvements	Fixture and Equipment	Right-of-Use Assets	CP	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization and impairment losses								
As previously stated	P 1,383,120,059	P 14,353,226,521	P 102,771,580	P 65,259,805	P 67,462,277	P -	P 1,332,056,903	P 17,303,897,157
Effects of adoption of PFRS 16	-	-	-	-	-	192,582,840	-	192,582,840
As restated	1,383,120,059	14,353,226,521	102,771,580	65,259,805	67,462,277	192,582,840	1,332,056,903	17,496,479,997
Balance from acquired subsidiary at September 30, 2015, net of accumulated depreciation and amortization	-	944,458,427	45,030	460,523	685,515	-	33,949,699	979,605,158
Additions	30,143,481	2,805,421,415	23,769,469	125,553,740	17,744,218	1,042,008,425	1,071,988,115	5,116,628,863
Reclassification	-	1,157,658,755	-	-	-	-	(1,157,658,755)	-
Revaluation increment	-	632,651,901	-	-	-	-	-	632,651,901
Disposals - net	-	(27,825,807)	(1,392,391)	-	(4,759,369)	-	-	(33,977,567)
Impairment loss	-	(7,394,742)	-	-	-	-	-	(7,394,742)
Reversal of impairment loss	-	2,214,620	-	-	-	-	-	2,214,620
Depreciation and amortization charges for the year	-	(1,165,324,589)	(28,752,405)	(7,894,730)	(25,547,712)	(43,987,279)	-	(1,271,506,715)
Balance at December 31, 2015, net of accumulated depreciation and amortization and impairment losses	P 1,413,263,540	P 18,695,396,505	P 96,441,291	P 183,379,342	P 55,584,933	P 1,190,603,986	P 1,280,335,958	P 22,915,005,555
Balance at January 1, 2018, net of accumulated depreciation and amortization and impairment losses	P 211,673,985	P 10,372,171,315	P 68,453,861	P 20,375,438	P 41,593,317	P -	P 588,837,757	P 11,363,105,681
Balance from acquired subsidiaries at October 30, 2015, net of accumulated depreciation and amortization	-	450,283,483	1,016,952	-	642,426	-	542,325,553	994,268,854
Additions	1,171,446,070	3,324,476,313	55,611,865	42,531,110	46,791,835	-	1,265,736,331	5,906,593,544
Revaluation increment	-	167,825,312	-	-	-	-	-	167,825,312
Reclassification	-	1,056,486,156	-	8,356,982	-	-	(1,064,843,138)	-
Disposals - net	-	(154,240,296)	(2,247,690)	-	(3,354,174)	-	-	(199,842,160)
Depreciation and amortization charges for the year	-	(823,779,766)	(20,063,460)	(6,003,721)	(18,211,122)	-	-	(868,058,074)
Balance at December 31, 2018, net of accumulated depreciation and amortization and impairment losses	P 1,383,120,059	P 14,353,226,521	P 102,771,580	P 65,259,805	P 67,462,277	P -	P 1,332,056,903	P 17,303,897,157

The fair values of the Group's vessels were based on the latest appraisal reports as shown below.

Name of Vessel	Date of Report	Net Appraised Values
MT Chelsea Dominance	January 22, 2020	P 591,114,000
MV San Nicolas of Myra	January 22, 2020	304,133,000
MT Chelsea Cherylyn	January 15, 2020	843,000,000
M/Tug Fortis IX	December 23, 2019	78,000,000
M/Tug Fortis XV	December 23, 2019	60,000,000
M/Tug Fortis III	December 16, 2019	35,000,000
M/Tug Fortis V	December 16, 2019	80,000,000
MV Starlite Pacific	November 28, 2019	33,691,000
MT Chelsea Charlize	November 20, 2019	384,970,000
MV Starlite Jupiter	November 19, 2019	27,369,000
MV Starlite Stella Del Mar	November 19, 2019	578,865,000
MV Starlite Tamaraw	November 15, 2019	21,573,000
MV Asia Philippines	November 11, 2019	73,000,000
MT BMI Patricia	July 26, 2019	55,500,000
MT Jasaan	July 27, 2019	42,500,000
MV Trans-Asia 12	July 13, 2019	95,000,000
MV Trans-Asia 5	July 11, 2019	105,000,000
MV Trans-Asia 8	July 08, 2019	100,000,000
M/Tug Fortis VI	June 27, 2019	70,000,000
M/Tug Fortis VII	June 27, 2019	58,000,000
M/Tug Fortis VIII	June 27, 2019	74,000,000
M/Tug Fortis X	June 27, 2019	85,000,000
MT Chelsea Endurance	May 30, 2019	330,000,000
MV Starlite Saturn	May 23, 2019	441,830,000
MV Starlite Annapolis	May 20, 2019	75,691,000
MV Starlite Archer	May 20, 2019	460,746,000
MV Starlite Reliance	May 20, 2019	441,975,000
MT Chelsea Denise II	March 26, 2019	442,000,000
MV Starlite Eagle	March 25, 2019	449,808,000
MV Trans-Asia 2	February 28, 2019	90,000,000
MV Trans-Asia 3	February 28, 2019	200,000,000
M/Tug Pindasan	February 1, 2019	35,787,000
M/Tug Samal	February 1, 2019	29,757,000
M/Tug Sigaboy	February 1, 2019	20,676,000
MT Chelsea Enterprise	January 31, 2019	135,000,000
M/Tug Fortis I	December 14, 2018	82,000,000
M/Tug Fortis II	December 14, 2018	80,000,000
MV Trans-Asia 3	October 23, 2018	192,785,000
MV Trans-Asia 8	October 23, 2018	174,655,000
MV Trans-Asia 10	October 23, 2018	157,378,000
MT Chelsea Intrepid	September 20, 2018	120,000,000
MV Starlite Pioneer	July 25, 2018	431,161,000
MT Ernesto Uno	May 29, 2018	152,000,000
MT Chelsea Resolute	January 10, 2018	255,000,000
MT Denise	November 11, 2017	195,000,000
MT Great Princess	May 31, 2016	1,450,000,000
MV Asia Pacific	April 27, 2016	71,000,000
MT Great Diamond	August 5, 2015	1,021,886,700

Management believes that there is no significant change in the fair values of the Group's vessels since the dates of their last appraisals.

In 2019, the Group acquired new vessels, which have not been subjected to appraisals as management believes that the acquisition costs approximate their fair values.

If the Group's vessels and vessel equipment were measured under the cost model, the cost, accumulated depreciation, accumulated impairment losses and net carrying amount as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cost	P20,438,660,970	P 12,836,950,468
Accumulated depreciation	(4,391,704,916)	(1,834,487,417)
Accumulated impairment losses	(<u>7,394,742</u>)	(<u>2,214,620</u>)
Net carrying amount	<u>P16,039,561,312</u>	<u>P11,000,248,431</u>

Depreciation and amortization is classified in the consolidated statements of profit and loss as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of sales and services	14	P 1,213,397,083	P 835,719,005	P 796,422,076
Other operating expenses		<u>58,109,632</u>	<u>32,339,069</u>	<u>22,335,101</u>
	15	<u>P 1,271,506,715</u>	<u>P 868,058,074</u>	<u>P 818,757,177</u>

Certain vessels of the Group with a total net carrying amount of P11,259.3 million and P12,059.6 million as of December 31, 2019 and 2018, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 12).

Capitalized borrowing costs amounted to P65.6 million and P71.7 million as of December 31, 2019 and 2018 and is recognized using a capitalization rate of 7.74% (see Note 12.1).

In 2019, the Group recognized impairment loss on certain property and equipment amounting to P7.4 million and is presented under Cost of Sales and Services account in the 2019 consolidated statement of profit or loss (see Note 14). No impairment loss on property and equipment was recognized in 2018 and 2017.

In 2019, the Group also recognized a reversal of impairment loss of certain property and equipment amounting to P2.2 million and is presented as Gain on reversal of impairment losses on property and equipment under the Other Income account in the 2019 consolidated statement of profit or loss. There was no similar transaction in 2018 and 2017.

As of December 31, 2018, the carrying amounts of idle property and equipment due to breakdown of the main engine gearbox of certain vessels amounted to P1,305.8 million. In 2019, these assets resumed its normal operations. Meanwhile, management has assessed that the cost of fully depreciated property and equipment that are still in use in operations is insignificant to the consolidated financial statements.

10. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

The carrying value of the Group's investments in associates and a joint venture as of the end of the reporting periods follows:

	<u>2019</u>	<u>2018</u>
Associates:		
KGLI-NM		
Cost	P 2,104,212,296	P 2,104,212,296
Accumulated equity share in the total comprehensive income from previous year	(346,960,795)	106,087,393
Equity share in net loss	(250,901,194)	(453,048,188)
Equity share in OCI	(26,478,210)	-
	<u>1,479,872,097</u>	<u>1,757,251,501</u>
 DHC - Cost	 <u>1,041,666,665</u>	 <u>-</u>
 Dito		
Cost	4,106,249,866	-
Equity share in net loss	(232,254,791)	-
Equity share in stock issuance costs	(60,265,795)	-
	<u>3,813,729,380</u>	<u>-</u>
	6,335,268,142	1,757,251,501
 Jointly controlled entity – Meridian Maritime Training Center (Meridian)	 <u>81,001,440</u>	 <u>63,917,332</u>
	<u>P 6,416,269,582</u>	<u>P 1,821,168,833</u>

On March 27, 2017, the Company acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to the Company 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna. UIBV owns 80% economic interest and 39.97% of the voting rights in KGLI-NM, which holds 35.22% economic interest in 2GO. Hence, the Company has a 28.18% indirect economic interest in 2GO (see Note 20.1).

On May 10, 2019, the Company subscribed to 40,833,333 common shares and 22,916,666 preferred voting shares or equivalent to 25% interest of Dito's authorized capital stock for a total amount of P4.1 billion. Out of the subscribed shares, P3.6 billion worth of shares remains unpaid as of December 31, 2019 and is presented as part of Subscription payable under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 13).

On October 4, 2019, the Company subscribed to 1,041,666,665 common shares or equivalent to 41.67% interest of DHC's authorized capital stock for a total amount of P1.0 billion. Out of the subscribed shares, P781.2 million worth of shares remains unpaid as of December 31, 2019 and is presented as part of Subscription payable under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 13).

The carrying amount of the identifiable assets and liabilities of Dito and DHC upon acquisition approximate their respective fair values.

Presented below are the financial information of the Group's associates as of December 31, 2019 and 2018 (in thousands).

	KGLI-NM	Dito	DHC	Total
<u>December 31, 2019</u>				
Total current assets	P 7,846,952	P 1,323,845	P 625,000	P 9,795,797
Total non-current assets	8,555,600	12,625,137	-	21,180,737
Total assets	P 16,402,552	P 13,948,982	P 625,000	P 30,976,534
Total current liabilities	P 8,883,408	P 398,389	P -	P 9,281,797
Total non-current liabilities	3,962,993	765,839	-	4,728,832
Total liabilities	P 12,846,401	P 1,164,228	P -	P 14,010,629
Total revenues	P 21,409,914	P -	P -	P 21,409,914
Net loss	(P 890,352)	(P 929,019)	P -	(P 1,819,371)
<u>December 31, 2018</u>				
Total current assets	P 8,469,250	P -	P -	P 8,469,250
Total non-current assets	8,812,080	-	-	8,812,080
Total assets	P 17,281,330	P -	P -	P 17,281,330
Total current liabilities	P 9,699,008	P -	P -	P 9,699,008
Total non-current liabilities	9,336,878	-	-	9,336,878
Total liabilities	P 19,035,886	P -	P -	P 19,035,886
Total revenues	P 21,060,201	P -	P -	P 21,060,201
Net loss	(P 1,421,373)	P -	P -	(P 1,421,373)

No dividends were received from the Group's associates during the years 2019, 2018 and 2017.

The Group's associates are all private companies; therefore, no quoted market prices are available for these shares.

In 2016, CSC entered into a Memorandum of Agreement with Meridian whereby both parties agreed to establish and operate a training facility on a parcel of land at the Calaca Seaport in Calaca, Batangas. The training facility shall be called the Meridian Maritime Training Center. The establishment of the facility shall have a total project cost of P50.0 million, which will be financed by CSC and any profits will be distributed 70% to CSC and 30% to Meridian until such time that CSC achieves 100% return on investment, after which, profit sharing will be 50% both to CSC and Meridian.

In 2019 and 2018, CSC made additional investments in the Meridian amounting to P17.1 million and P5.3 million, respectively.

No share in profit or loss was recognized from the investment in joint venture as the facility is still under construction and expenses recognized are not significant as of December 31, 2019 and December 31, 2018.

The Group does not have any restriction on the ability to access or use assets, and settle liabilities of the associates and joint venture.

As of December 31, 2019 and 2018, management believes that the investments in associates and a joint venture are not impaired.

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Advances to suppliers	22.9	P 279,567,940	P 694,861,356
Security deposits	19.3, 22.3	136,616,637	29,066,341
Deferred input VAT		54,657,288	-
Software, net of amortization		27,753,354	-
Restricted cash	4	14,500,000	1,637,081
Others		<u>9,243,062</u>	<u>9,073,862</u>
		<u>P 522,338,281</u>	<u>P 734,638,640</u>

Advances to suppliers include down payments made to suppliers for the acquisition of long-term assets which include vessels and parcels of land.

Security deposits include rental deposits and guarantee deposits for the Group's ongoing projects.

Software refers to computer software licenses and software development costs. Amortization amounting to P1.1 million was recognized in 2019 and is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2019 consolidated statement of profit or loss (see Note 15).

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group (see Note 12.1)

12. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are broken down as follows:

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Current:			
Bank loans	12.2	P 4,043,147,077	P 4,894,210,434
Term loans	12.1	1,924,295,582	1,595,629,564
Lease liabilities	12.4	111,246,482	24,207,330
Mortgage loans	12.3	<u>45,811,426</u>	<u>41,506,393</u>
		<u>6,124,500,567</u>	<u>6,555,553,721</u>
Non-current:			
Term loans	12.1	8,874,595,628	8,889,862,811
Lease liabilities	12.4	1,123,285,149	35,673,912
Mortgage loans	12.3	<u>184,739,848</u>	<u>138,771,409</u>
		<u>10,182,620,625</u>	<u>9,064,308,132</u>
		<u>P16,307,121,192</u>	<u>P15,619,861,853</u>

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2019 and 2018 is shown below.

	Term loans (see Note 12.1)	Bank loans (see Note 12.2)	Mortgage loans (see Note 12.3)	Lease Liabilities (see Note 12.4)	Total
Balance as of January 1, 2019	P 10,485,492,375	P 4,894,210,434	P 180,277,802	P 59,881,242	P 15,619,861,853
Cash flows from financing activities:					
Additions	913,094,452	1,480,068,901	-	-	2,393,163,353
Repayments	(926,196,358)	(2,302,192,849)	(50,230,413)	(28,625,571)	(3,307,245,190)
	(13,101,906)	(822,123,948)	(50,230,413)	(28,625,571)	(914,081,837)
Non-cash financing activities:					
Balance from acquired subsidiary	335,740,741	50,000,000	-	-	385,740,741
Effect of adoption of PFRS 16	-	-	-	213,630,458	213,630,458
Additions	-	-	21,564,476	989,645,502	1,011,209,978
Reclassification	-	(78,939,409)	78,939,409	-	-
Restatement of foreign currency denominated loans	(9,240,000)	-	-	-	(9,240,000)
	326,500,741	(28,939,409)	100,503,885	1,203,275,960	1,601,341,177
Balance at December 31, 2019	P 10,798,891,210	P 4,043,147,077	P 230,551,274	P 1,234,531,631	P 16,307,121,192
Balance as of January 1, 2018	P 7,714,366,413	P 2,455,814,577	P 161,979,645	P -	P 10,332,160,635
Cash flows from financing activities:					
Additions	2,975,255,891	2,723,117,984	-	-	5,698,373,875
Repayments	(958,215,288)	(284,722,127)	(21,885,205)	(16,924,358)	(1,281,746,978)
	2,017,040,603	2,438,395,857	(21,885,205)	(16,924,358)	4,416,626,897
Non-cash financing activities:					
Balance from acquired subsidiaries	777,327,956	-	-	-	777,327,956
Additions	-	-	40,183,362	76,805,600	116,988,962
Restatement of foreign currency denominated loans	(23,242,597)	-	-	-	(23,242,597)
	754,085,359	-	40,183,362	76,805,600	871,074,321
Balance at December 31, 2018	P 10,485,492,375	P 4,894,210,434	P 180,277,802	P 59,881,242	P 15,619,861,853

12.1 Term Loans

The details of the Group's term loans as of December 31, 2019 and 2018 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2019	2018
China Banking Corporation (CBC)	(h)	CSC shares of stocks/ Continuing Suretyship	6 years	4.50%	P 1,665,000,000	P 1,800,000,000
Development Bank of the Philippines (DBP)	(i)	MT Chelsea Providence	15 years	6.50%	1,473,214,285	1,500,000,000
Philippine Business Bank (PBB)	(j)	MV Eagle, FD Exuberance	10 years	7.50%	843,799,503	976,884,263
CBC	(r)	Real Estate Mortgage	15 years	7.25%	800,000,000	-
PBB	(j)	Unsecured	15 years	7.00%	749,689,849	800,000,000
DBP	(m)	Trans - Asia 16, 17 and 18	15 years	6.50%	595,928,571	618,000,000
DBP		MV San Pedro Calungsod MV San Lorenzo Luis Uno				
DBP	(l)	MV St. Nicholas of Myra	15 years	6.50%	532,875,621	557,526,997
DBP	(k)	MV Pioneer, MV Reliance	15 years	6.95%	529,400,000	581,880,000
PBB	(p)	MV Salve Regina	15 years	7.00%	457,097,220	460,000,000
BDO Unibank, Inc. (BDO)		Trans - Asia 8, Trans - Asia 9,				
DBP	(e)	Trans - Asia 10	10 years	4.25%	364,179,579	494,370,980
PBB	(s)	MV St. Camael and MV St. Ariel	15 years	6.50%	328,888,889	-
PBB	(o)	MV Stella Del Mar	15 years	7.00%	302,914,899	346,699,500
Mega International Commercial Bank Co. (MICBC)	(l)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
Robinsons Bank Corporation (RBC)	(l)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
CTBC Bank (Philis) Inc. (CTBC)	(l)	Continuing Suretyship	5 years	6.10%	258,750,000	281,250,000
CBC	(f)	Trans-Asia 15	10 years	7.00%	242,129,630	200,000,000
PBB	(c)	MT Chelsea Dominance	7 years	6.06%	243,266,625	308,137,725
CBC	(b)	MT Chelsea Charlize	7 years	3.25%	236,805,333	316,344,000
PBB	(c)	MT Chelsea Endurance	7 years	6.06%	206,334,375	261,356,875
First Commercial Bank, Ltd. (FCB)	(l)	Continuing Suretyship	5 years	6.10%	172,500,000	187,500,000
Rizal Commercial Banking Corp. (RCBC)	(q)	Starlite Sprint I	8 years	9.50%	113,094,452	-
BDO	(a)	MT Chelsea Denise II	5 years	6.46%	103,820,000	149,980,000
Asia United Bank (AUB)	(d)	MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII	7 years	5.56%	62,539,867	70,357,350
AUB	(d)	MTug Fortis III and MTug Fortis V	7 years	5.56%	46,464,133	56,789,496
United Coconut Planters Bank (UCPB) and Philippine Bank of Communications (PBComm)	(g)	MTug Pindasan, MTug Samal MTug Sigaboy	5 years	6.00% to 6.50%	-	2,321,621
Discount on loans payable					(47,301,621)	(46,406,432)
					P 10,798,891,210	P 10,485,492,375

(a) *Omnibus Loan and Security Agreement (OLSA) with BDO – MT Chelsea Denise II*

In 2014, PNX-Chelsea entered into a Memorandum of Agreement (MOA) with China Shipbuilding & Exports Corporation for the importation of one unit of oil tank vessel (MT Chelsea Denise II) from China for a total cost of US\$7,300,000. In connection with the MOA, PNX-Chelsea entered into another OLSA with the same local bank for P300.0 million to finance the acquisition of MT Chelsea Denise II in 2014. The loan is subject to effective interest rate of 6.46% per annum and is payable for a quarterly basis for five periods commencing at the end of the fourth quarter of 2015.

The outstanding loan is secured by a chattel mortgage on MT Chelsea Denise II with net carrying amount of P506.3 million and P462.5 million as of December 31, 2019 and 2018, respectively (see Note 9). In addition, the OLSA provides that PNX-Chelsea should maintain a debt-to-equity ratio of not more than 2.00:1.00 and a debt service coverage ratio (DSCR) of at least 1.00. As of December 31, 2019, the Company has not met the minimum DSCR; however, management plans to fully pay the loan in 2020, hence, it is presented as part of Current Liabilities in the 2019 consolidated statement of financial position.

(b) *Term Loan Agreement (TLA) with CBC – MT Chelsea Charlize*

On May 23, 2016, PNX-Chelsea entered into a loan agreement with CBC amounting to US\$8.0 million to finance the acquisition of MT Chelsea Charlize. The loan is subject to annual interest rate of 3.25% and is payable in 24 equal quarterly installments commencing on August 23, 2017. The loan does not include any covenant.

Debt issuance costs amounted to P13.5 million, of which P0.3 million and P0.4 million was amortized in 2019 and 2018, respectively, using the effective interest rates of 5.50%. Amortized debt issuance costs was recognized as part of Interest expense on Interest-bearing loans under the Finance Costs account in the consolidated statements of profit or loss (see Note 17.1). Unamortized debt issuance costs are deducted against the current and non-current portion of the related interest-bearing loans.

The loan is secured by a chattel mortgage on MT Chelsea Charlize with net carrying amount of P383.3 million and P429.3 million as of December 31, 2019 and 2018, respectively (see Note 9).

(c) *TLA with PBB – MT Chelsea Endurance and MT Chelsea Dominance*

On July 25, 2016 and August 18, 2016, PNX-Chelsea entered into term loan agreements with PBB amounting to US\$6.5 million and US\$7.6 million to finance the acquisition of MT Chelsea Endurance and MT Chelsea Dominance, respectively. On the anniversary year, these loans were converted into peso loans. The loans are subject to annual effective interest rate of 6.06% and are payable in 24 equal quarterly installments with one-year grace period from date of each release.

The loans are secured by a chattel mortgage on MT Chelsea Endurance and MT Chelsea Dominance with net carrying amounts totaling P909.0 million and P707.8 million, as of December 31, 2019 and 2018, respectively (see Note 9).

(d) *TLA with AUB – MTug Fortis III, MTug Fortis V, MTug Fortis VI, MTug Fortis VII and MTug Fortis VIII*

On April 12, 2017, FTC obtained interest-bearing loans amounting to P69.7 million to partially refinance the acquisition of MTug Fortis III and MTug Fortis V. The loan bears fixed interest rate of 5.56% and the principal is payable in 28 quarterly installments.

On October 5, 2018, FTC obtained additional interest-bearing loans amounting to P70.4 million from the same bank to partially refinance the acquisition of MTug Fortis VI, MTug Fortis VII, and MTug Fortis VIII. The loan bears fixed interest rate of 5.56% and the principal is payable in 28 quarterly installments.

Certain trade receivables amounting to P89.7 million and P43.4 million as of December 31, 2019 and 2018, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 5). Moreover, certain tugboats of FTC with net carrying amounts of P232.5 million and P270.0 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of these loans (see Note 9). The loans do not include any covenant.

(e) *TLA with BDO – Trans-Asia 8, 9 and 10*

In 2014, Trans-Asia availed loans from BDO for the acquisition of MV Trans-Asia 10 totaling to P120.0 million at an interest rate of 4.5% per annum. Also, a loan amounting to P79.7 million was obtained from BDO to provide financing to Oceanstar for the purchase of MV Trans-Asia 8 and 9. Principal and interest payments on these loans are made monthly. Further, Trans-Asia made additional loans from BDO totaling to P263.5 million in 2016 at an interest rate of 4.25% per annum. Principal payments are made monthly with a grace period of one year and interest on these loans is payable monthly in arrears.

Certain vessels with a net carrying amount of P156.6 million and P182.0 million as of December 31, 2019 and 2018, respectively, was used as collateral to secure the payment of these loans (see Note 9). These loans do not contain any covenant.

(f) *TLA with CBC – Trans-Asia 15*

On October 2, 2018, Trans-Asia obtained a long-term loan from CBC amounting to P200.0 million to fund its acquisition of vessels. The loan is subject to annual interest rate of 7.00% and is payable monthly in arrears up to 10 years from the initial drawdown, inclusive of one-year grace period from the date of drawdown. Principal shall be repayable in equal monthly amortizations to commence at the end of the 13th month of the drawdown.

On August 30, 2019, Trans-Asia obtained additional loan from the same bank amounting to P50.0 million to fund its acquisition of vessels. The loan is subject to annual interest rate of 7.00% and is payable monthly in arrears up to four years from the date of drawdown. Principal shall be repayable in equal monthly amortizations to commence at the end of the 13th month of the drawdown.

Certain vessel with a net carrying amount of P156.6 million and P182.0 million as of December 31, 2019 and 2018, respectively, was used as collateral to secure the payment of these loans (see Note 9). These loans do not contain any covenant.

(g) *TLA with UCPB and PBComm – DGMSI*

In 2014, DGMSI obtained loans from UCPB and PBComm to fund its acquisition of secondhand tugboats imported from Japan and Korea for use in the expansion of its business activity. The same loans are collateralized with three of its tugboats acquired and a time deposit placement amounting to P5.0 million. These loans have interest rates of ranging from 6.00% to 6.50% per annum, and are subject to annual resetting. These loans were fully settled as of December 31, 2019.

Certain vessels of DGMSI with net carrying amounts of P90.1 million and P89.8 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of these loans (see Note 9). These loans have no existing covenants.

(h) *TLA with CBC - CSC*

In 2016, the Company obtained a P1.8 billion loan from CBC to finance the acquisition of the outstanding shares of CSC. The loan is subject to annual interest rate of 4.50% and is payable on a lump sum basis in 181 days. The loan is secured by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Company's Chairman of the BOD [see Note 19.8(a)].

In 2017, the Company converted its P1.8 billion bank loan to a six-year term loan with a grace period of four quarters commencing from the date of conversion. The principal is payable in quarterly installments with balloon payment at maturity and shall commence on the quarter after the grace period with the interest paid in arrears. The loan is secured by the same properties as mentioned in the initial bank loan.

The agreement requires CSC to maintain debt-to-equity ratio of not more than 3.50:1.00. As of December 31, 2019 and 2018, CSC has complied with this covenant.

(i) *TLA with CTBC, MICBC, RBC and FCB – Trans-Asia*

In 2017, Trans-Asia entered into a five-year loan facility agreement amounting to P300.0 million each with CTBC, MICBC and RBC and P200.0 million with FCB to bridge the facility obtained by CSC to fund the acquisition of Trans-Asia and for general working capital purposes. In the same year, Trans-Asia made a drawdown of P1,100.0 million loan to bridge the loan obtained by CSC in 2016. The loan is subject to annual interest rate of 6.10% and is payable on quarterly basis. Principal repayments shall be 5% of the loan in the first and second year, 15% in the third and fourth year and 60% in the fifth year of the drawdown. The agreement requires Trans-Asia to maintain debt-to-equity ratio of not more than 3:50:1:00 and a DSCR of at least 1.25.

The loan is secured by Trans-Asia shares with a carrying value of P525.0 million, a corporate guarantee by Udenna and individual surety of the Company's Chairman of the BOD [see Note 19.8(a)].

(j) *TLA with PBB – Starlite*

In 2015, Starlite entered into a 10-year term loan agreement amounting to P1,037.4 million with PBB to finance the acquisition of MV Eagle, MV Archer and MV Saturn. The loans are subject to a fixed interest rate of 7.5% and the principal is payable in arrears.

In 2017, Starlite obtained a 15-year term loan agreement amounting to P800.0 million with PBB. The loan is subject to annual interest rate of 7.0% and principal repayments including the interest shall commence on the first quarter after a grace period of one year from the date of availment. The loan does not include any covenant.

Certain vessels of Starlite with net carrying amounts of P1,248.2 million and P1,203.7 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of these loans (see Note 9).

(k) *TLA with DBP - Starlite*

In 2016 and 2015, Starlite entered into 15-year term loan agreements amounting to P306.0 million and P300.0 million, respectively, with DBP to finance the acquisition of MV Pioneer and MV Reliance. The loan is subject to annual interest rate of 6.95% and is payable on a quarterly basis. Principal repayments shall commence after the grace period of three periods.

Certain vessels of Starlite with net carrying amounts of P684.5 million and P753.6 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of these loans (see Note 9). The agreement also requires Starlite to maintain debt-to-equity ratio of not more than 8.00:1.00, current ratio of at least 0.50:1.00 and DSCR of at least 1.00. As of December 31, 2019 and 2018, Starlite has complied with these covenants.

(l) *TLA with DBP – PNX-Chelsea*

On January 25, 2018, PNX-Chelsea entered into a loan agreement with DBP amounting to P575.0 million to refinance the acquisition of MV San Pedro Calungsod, MV San Lorenzo Ruiz Uno and MV St. Nicholas of Myra. The loan is subject to annual interest rate of 6.50% and is payable in 60 equal quarterly installments commencing on the first quarter from the initial drawdown.

Certain trade receivables amounting to P18.5 million and P38.3 million as of December 31, 2019 and 2018, respectively, were assigned to secure payment of this interest-bearing loan (see Note 5). Moreover, certain vessels of PNX-Chelsea with net carrying amounts of P834.0 million and P565.7 million as of December 31, 2019 and 2018, respectively, were used as collateral to secure the payment of these loans (see Note 9).

The agreement requires PNX-Chelsea to maintain debt-to-equity ratio of not more than 2.34:1.00. As of December 31, 2019 and 2018, PNX-Chelsea has complied with this covenant.

(m) *TLA with DBP – Trans-Asia*

On May 2, 2018, Trans-Asia entered into a loan agreement with DBP amounting to P618.0 million to finance the acquisition of MV Trans-Asia 16, MV Trans-Asia 17 and MV Trans-Asia 18. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 15 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The agreement requires Trans-Asia to maintain a DE ratio of not more than 3.50:1.00, current ratio of 1.00:1.00 and DSCR of at least 1.0.

Certain vessels of Trans-Asia with net carrying amounts of P1,005.7 million and P840.5 million as of December 31, 2019 and 2018 were used as collateral to secure the payment of these loans (see Note 9).

(n) *TLA with DBP – CSC*

On September 28, 2018, CSC entered into a loan agreement with DBP amounting to P1.5 billion to refinance the acquisition of one second-hand oil/chemical tanker and one second-hand floating dock. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 15 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The agreement requires CSC to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of at least 1.00.

A certain vessel of CSC with net carrying amount of P1,587.7 million and P1,620.1 million as of December 31, 2019 and 2018, respectively, was used as collateral to secure the payment of these loans (see Note 9).

(o) *TLA with PBB – SPFI*

In 2017, SPFI entered into a loan agreement with PBB amounting to P368.1 million to finance the acquisition of MV Stella Del Mar. The loan is subject to annual interest rate of 7.50% and is payable quarterly in arrears up to 10 years from the initial drawdown. Principal repayments shall commence after the grace period of six quarters. The loan does not include any covenant.

The vessel of SPFI with net carrying amounts of P412.2 million and P449.7 million as of December 31, 2019 and 2018, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

(p) *TLA with PBB – SGFI*

In 2018, SGFI entered into a loan agreement with PBB amounting to P460.0 million to finance the acquisition of MV Salve Regina. The loan is subject to annual interest rate of 6.50% and is payable quarterly in arrears up to 10 years from the initial drawdown, inclusive of one-year grace period from the date of signing. The loan does not include any covenant.

The vessel of SGFI with net carrying amounts of P778.8 million and P814.6 million as of December 31, 2019 and 2018 was used as a collateral to secure the payment of this loan (see Note 9).

(q) *TLA with RCBC – Starlite*

In 2018, Starlite entered into a loan agreement with RCBC to finance the acquisition of Starlite Sprint I. The first drawdown of P105.0 million is payable in equal quarterly installments up to eight years from the date of initial drawdown, i.e., July 19, 2019, inclusive of one year grace period. The loan is subject to annual interest rate based on 7-year fixed BVAL plus minimum spread of 1.50% and is payable on a quarterly basis.

The vessel of Starlite with net carrying amounts of P118.1 million as of December 31, 2019 was used as a collateral to secure the payment of this loan (see Note 9).

(r) *OLSA with CBC – CLC and WSI*

On August 27, 2019, CLC and WSI entered into a loan agreement with CBC to finance the acquisition of a real estate property and for the construction of a warehouse facility on the said property amounting to P800.0 million and P450.0 million, respectively. The loan is subject to a fixed interest rate of 7.25% for the first ten years and subject to repricing for the remaining five years. On the interest rate resetting date, the interest rate shall be repriced and determined based on the higher of the benchmark rate and interest spread of 250 bps, divided by the interest premium of factor of 95% or a floor rate of 7.25%. The loan is payable on a quarterly basis up to 15 years from the initial drawdown, inclusive of two-years grace period from the date of signing. As of December 31, 2019, CLC has total drawdown amounting to P800.0 million from the term loan facility.

Debt issuance costs amounted to P9.4 million were recognized as of December 31, 2019 and deducted against the current and non-current portion of the related interest-bearing loans.

The property of the Company with net carrying amount of P1,199.5 million as of December 31, 2019 was used as a collateral to secure payment of this loan (see Note 9). The loan agreement also requires the Company to maintain a reserve accounts specifically for payment of principal and interest; such amounts are presented as part of Restricted cash under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 11).

(s) *TLA with DBP – SFFC*

On May 20, 2016, SFFC obtained a long-term loan facility from DBP amounting to P370.0 million with a term of 15 years, inclusive of 1.5 years grace period, in 53 equal quarterly installments to commence at the end of the seventh quarter from the date of the initial drawdown, which can be availed through promissory note with an interest at the prevailing market rate of 6.5% to finance the construction of MV St. Ariel and MV St. Camael.

Certain vessels of SFFC with net carrying amount of P440.6 million as of December 31, 2019, was used as collateral to obtain this loan. In addition, SFFC is required to maintain debt-to-equity ratio not exceeding 2.30:1.00 and maintain debt service coverage ratio of at least 2.00 at each testing date. SFFC has complied with these covenants.

With regard to the loans under Note 12.1(i), (m) and (n), Trans-Asia and CSC have complied with the financial, affirmative and negative covenants for the past years except that, in 2019, Trans-Asia exceeded the agreed DE ratio and had lower than the indicated current ratio. Trans-Asia and CSC also had lower than the stated DSCR. Prior to December 31, 2019, the companies requested for the waiver of these financial covenants and management is confident that such will be approved based on the preliminary discussions with the lender banks. The companies have been up to date in its servicing of the loans and have not received any written notice, as of the date of the issuance of the consolidated financial statements, that the loans are due and demandable, which is provided for in the loan covenants as a basis to reclassify the loan to current.

Interest incurred on these loans totaling P569.2 million, P524.9 million and P364.0 million in 2019, 2018 and 2017, respectively, is included as part of Finance costs under the Other Income (Charges) – net section of the consolidated statements of profit or loss (see Note 17.1). Certain interest costs incurred in 2019, 2018 and 2017 were capitalized as part of Property and Equipment (see Note 9). The related unpaid interest as of December 31, 2019 and 2018 amounting to P57.6 million and P44.3 million, respectively, is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

12.2 Bank Loans

The details of the Group's bank loans are as follows:

	Security	Terms	Interest Rates		Outstanding Balance	
					2019	2018
Primary Institutional Lenders	Unsecured	30 to 180 days	4.25% to 7.50%	P	1,265,823,896	P 2,013,768,437
UCPB	MT Chelsea Intrepid					
	MT BMI Patricia	90 days	5.00% to 5.75%		896,400,000	920,200,000
CBC	Unsecured	60 days	6.00%		522,163,934	480,000,000
Landbank of the Philippines	Unsecured	90 days	9.00%		500,000,000	300,000,000
DBP	MT Chelsea Cherylyn	180 days	4.00 to 4.25%		300,000,000	300,000,000
Pentacapital	Unsecured	360 days	6.00%		200,000,000	400,000,000
Union Bank of the Philippines	Unsecured	360 days	4.50%		200,000,000	200,000,000
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%		60,300,000	79,400,000
AUB	Unsecured	30 days	8.00%		50,000,000	-
BDO Unibank Inc	Trans-Asia 1	180 days	6.50%		48,459,247	33,500,000
PVB	Unsecured	180 days	11.04%		-	167,341,997
				P	4,043,147,077	P 4,894,210,434

The bank loans were obtained to finance the drydocking of certain vessels and to support the Group's working capital requirements. These loans are secured by certain vessels owned by the Group with total net carrying amount of P1,842.7 million and P1,759.6 million as of December 31, 2019 and 2018, respectively (see Note 9). These loans do not include any covenant.

Interest incurred on these loans is presented as part of Finance costs under the Other Income (Charges) account in the consolidated statements of profit or loss (see Note 17.1). The related unpaid interest as of December 31, 2019 and 2018 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

12.3 Mortgage Loans

	Security	Terms	Interest Rates	Outstanding Balance	
				2019	2018
BDO	Real Estate Mortgage	10 years	6.75%	P 173,432,009	P 109,997,080
Chinabank Savings	Chattel Mortgage on				
	Transportation Equipment	3 years	11.00% to 17.00%	30,416,821	38,503,117
AUB	Chattel Mortgage on				
	Transportation Equipment	3 to 5 years	7.00% to 8.50%	21,034,055	19,991,031
RCBC	Chattel Mortgage on				
	Transportation Equipment	3 years	7.00%	2,261,162	2,410,776
PNB	Chattel Mortgage on				
	Transportation Equipment	1 year	7.30%	1,631,211	2,648,275
BDO	Chattel Mortgage on				
	Transportation Equipment	3 years	8.51%	1,069,594	3,045,821
BPI	Chattel Mortgage on				
	Transportation Equipment	3 years	10.28%	706,422	1,390,922
CBC	Chattel Mortgage on				
	Transportation Equipment	3 years	7.00%	-	1,986,724
BDO	Chattel Mortgage on				
	Transportation Equipment	3 years	6.90% to 7.53%	-	304,056
				<u>P 230,551,274</u>	<u>P 180,277,802</u>

Mortgage loans pertain to loans obtained by the Group to finance the acquisition of certain properties and transportation equipment. These loans bear average effective interest rates ranging from 6.50% to 17.00% both in 2019 and 2018. Interest incurred on these loans are included as part of Finance costs under the Other Income (Charges) section of the consolidated statements of profit or loss (see Note 17.1). These loans do not contain any covenant.

These loans are secured by certain properties and transportation equipment with total carrying amount of P351.6 million and P311.1 million as of December 31, 2019 and 2018, respectively (see Note 9).

12.4 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	Notes	2019	2018
Lease liabilities	12.4(b)	P 1,234,531,631	P -
Obligations under finance lease	12.4(a)	-	59,881,242
		<u>P 1,234,531,631</u>	<u>P 59,881,242</u>

(a) Obligations under Finance Lease

In 2018, the Group entered into a finance lease agreement through sale and leaseback arrangement with a local bank to seek additional funding and accommodate expenses for the acquisition of certain machinery and equipment. These finance lease agreements have effective interest rates ranging from 6.49% to 6.76% per annum, payable in 48 equal monthly payments and are secured by a chattel mortgage on the Group's machinery and equipment. The carrying value of certain machinery and equipment under finance lease amounted to P112.5 million as of December 31, 2018. Total interest expense incurred for the year ended December 31, 2018 is shown as part of Finance Costs under Other Income (Charges) section in the 2018 consolidated statement of profit or loss (see Note 17.1). There was no similar transaction in 2017.

As of January 1, 2019, the obligations under finance lease were presented as part of Lease liabilities due to the adoption of PFRS 16 [see Note 2.2(a)(i)(e)].

(b) Lease Liabilities

The Group has leases for certain offices, warehouses and related facilities, lots and vessel and vessel equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its Property and Equipment (see Note 9).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over offices and warehouse and related facilities, the Group must keep these properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized in the 2019 consolidated statement of financial position:

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Warehouses and related facilities	7	1 - 2 years	2 years	3	-
Lot	7	2 - 10 years	5 years	-	-
Offices	7	2 - 6 years	4 years	3	1
Vessel and vessel equipment	2	2 - 5 years	4 years	-	-

Additional information on the lease liabilities and amounts in respect of possible future lease extension or termination options not recognized as liability are as follows:

	Warehouses and related facilities		Lot		Offices		Vessel and vessel equipment		Total
Lease liabilities	P	11,807,770	P	127,979,122	P	202,441,615	P	892,303,124	P 1,234,531,631
Number of leases with an extension option that is not considered reasonably certain of exercise		3		-		3		-	6
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised	P	9,039,292		-	P	187,363,688		-	P 196,402,980

The Group historically does not exercise its termination options. The lease termination option not recognized as part of liability, based on the lease contract, is expected to be equivalent to a certain percentage of the unrealized income of the lessor due to the termination.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as of December 31, 2019 is as follows:

	Within 1 year	Less than 5 years	More than 5 years	Total
Lease payments	P 172,852,618	P 1,329,932,977	P 44,940,134	P 1,547,725,729
Finance charges	(61,606,136)	(247,985,943)	(3,602,019)	(313,194,099)
Net present value	<u>P 111,246,482</u>	<u>P 1,081,947,034</u>	<u>P 41,338,114</u>	<u>P 1,234,531,631</u>

As of December 31, 2019, the Group had not committed to any leases which had not commenced.

The Group also has elected not to recognize lease liabilities for short-term leases. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P80.9 million and is presented as Rentals under Cost of Sales and Services and Other Operating Expenses in the 2019 consolidated statement of profit or loss (see Notes 14 and 15). As of December 31, 2019, the Company is committed to these short-term leases, and the total commitment amounts to P31.9 million.

13. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2019	2018
Trade payables	19.2	P 4,500,451,349	P 2,145,692,295
Subscription payable	10	4,355,208,332	-
Non-trade payables	19.6	1,140,956,087	500,000,000
Accrued expenses	12, 19.2	342,341,676	404,482,927
Deferred output VAT		239,818,083	124,808,576
Government-related obligations		48,085,363	196,937,914
Output VAT		24,434,333	28,895,294
Deferred income		13,658,758	-
Provisions	22.5	707,213	458,450
Deposits payable		-	1,409,371
Others		<u>94,264,215</u>	<u>93,977,210</u>
		<u>P 10,759,925,409</u>	<u>P 3,496,662,037</u>

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associates that remains unpaid as of December 31, 2019 (see Note 10).

Accrued expenses comprise amounts to be paid in relation to repairs and maintenance, fuel and lubricants, interest expense arising from loans, and professional fees rendered to the Group.

Deferred output VAT pertains to taxes payable based on VATable revenues from services rendered, which remained uncollected as of the end of the reporting periods.

14. COST OF SALES AND SERVICES

The details of this account for each of the years ended December 31 are shown below.

	Notes	2019	2018	2017
Bunkering	7, 19.2 P	1,983,576,307	P 1,243,088,820	P 866,546,176
Depreciation and amortization	9	1,213,397,083	835,719,005	796,422,076
Salaries and employee benefits	16.1	746,460,089	589,964,580	363,097,068
Outside services		290,300,325	138,607,504	126,905,768
Repairs and maintenance	7	265,835,162	120,867,972	134,730,583
Insurance		249,237,841	145,620,167	129,593,972
Port expenses		205,556,151	148,475,361	150,630,581
Charter hire fees		86,839,201	240,372,627	98,368,503
Supplies	7	79,411,947	97,260,280	44,880,251
Cost of inventories sold		69,140,884	11,217,099	37,614,552
Taxes and licenses		31,588,321	30,009,605	19,945,187
Rentals	12.4, 22.3	30,914,197	41,043,389	12,070,650
Utilities and communication		25,628,079	22,801,863	9,075,640
Commission		22,370,802	40,772,086	30,922,895
Transportation and travel		12,463,231	19,191,855	13,977,232
Impairment losses on property and equipment	9	7,394,742	-	-
Representation and entertainment		1,004,406	242,596	445,624
Professional fees		326,169	1,829,283	1,678,765
Miscellaneous		101,331,538	27,657,433	25,241,841
		<u>P 5,422,776,475</u>	<u>P 3,754,741,525</u>	<u>P 2,862,147,364</u>

15. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the years ended December 31, 2019, 2018 and 2017 are presented below.

	Notes	2019	2018	2017
Bunkering	7, 19.2	P 1,983,576,307	P 1,243,088,820	P 867,597,634
Depreciation and amortization	9, 11	1,272,582,798	868,058,074	818,757,177
Salaries and employee benefits	16.1	1,206,410,646	915,416,994	556,278,918
Outside services		351,586,902	258,445,819	156,310,632
Repairs and maintenance	7	279,617,365	135,305,059	143,485,999
Insurance		255,458,720	149,914,746	131,132,352
Port expenses		205,556,151	148,475,361	150,630,581
Taxes and licenses		169,398,443	135,759,607	83,877,950
Supplies	7	97,192,987	118,923,474	58,233,572
Charter hire fees		86,839,201	240,372,627	98,368,503
	12.4, 19.3,			
Rentals	22.3	80,869,617	78,560,530	42,592,958
Cost of inventories sold		69,140,884	11,217,099	37,614,552
Utilities and communication		55,774,724	39,975,613	29,305,379
Transportation and travel		42,950,365	50,245,939	35,995,891
Professional fees		32,109,535	33,573,889	53,393,537
Commission		26,384,282	53,176,152	37,080,468
Impairment losses on property and equipment	9	7,394,742	-	-
Representation and entertainment		7,277,254	22,085,995	15,438,646
Advertising and promotions		5,623,352	6,205,400	8,151,043
Miscellaneous	19.8(b)	183,203,810	146,450,530	67,574,483
		P 6,418,948,085	P 4,655,251,728	P 3,391,820,275

These expenses are classified in the consolidated statements of profit or loss as follows:

	Note	2019	2018	2017
Cost of sales and services	14	P 5,422,776,475	P 3,754,741,525	P 2,862,147,364
Other operating expense		996,171,610	900,510,203	529,672,911
		P 6,418,948,085	P 4,655,251,728	P 3,391,820,275

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2019, 2018 and 2017 are presented below.

	Notes	2019	2018	2017
Short-term employee benefits		P 1,091,173,191	P 781,712,606	P 456,034,336
Other employee benefits		79,382,427	86,363,247	46,867,344
Bonus and incentives		22,599,370	22,562,320	37,365,878
Post-employment benefits	16.2(b)	13,255,658	24,778,821	16,011,360
	15	P 1,206,410,646	P 915,416,994	P 556,278,918

Other benefits include profit sharing, compensated absences, and other allowances.

These expenses are classified in the consolidated statements of profit or loss as follows:

	Notes	2019	2018	2017
Cost of sales and services	14	P 746,460,089	P 589,964,580	P 363,097,068
Other operating expenses		<u>459,950,557</u>	<u>325,452,414</u>	<u>193,181,850</u>
	15	<u>P 1,206,410,646</u>	<u>P 915,416,994</u>	<u>P 556,278,918</u>

16.2 Post-employment Defined Benefit

(a) Characteristics of Post-employment Defined Benefit Plan

The Group maintains a funded, non-contributory post-employment defined benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five periods of credited service. Normal retirement benefit is an amount equivalent to 22.5 days' pay for every year of credited service.

The post-employment defined benefit plan of Trans-Asia also provides for an early retirement for employees who have served or worked continuously for a period equivalent to the last salary for every year of service as shown below.

- (i) For regular employees who were hired before December 1, 2006
 - more than two periods to five periods – 7.5 days per year of service
 - five periods and nine months to 10 periods – 15 days per year of service
 - ten periods and nine months to 15 periods – 22.5 days per year of service
 - 15 periods and nine months and above – 30 days per year of service
- (ii) For regular employees who were hired starting December 1, 2006
 - Five periods and nine months to nine periods – 7.5 days per year of service
 - Nine periods and nine months to 15 periods – 15 days per year of service
 - 15 periods and five months to 20 periods – 22.5 days per year of service
 - 20 periods and nine months and above – 30 days per year of service

Further, Trans-Asia has provided its employees an opportunity to avail an advance on their retirement benefit. These can be availed by employees who were hired before December 31, 2006 and has rendered more than two periods of service to Trans-Asia and by employees who has been hired starting December 31, 2006 and has rendered at least five periods and nine months of service to Trans-Asia. The total number of periods of service of employees who availed of advance payment of a portion of his/her retirement shall be deducted with the number of periods he/she availed as advance retirement.

(b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made regularly to update the post-employment benefit expense and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent professional actuaries covering the years ended December 31, 2019 and 2018.

(i) *Post-employment Benefit Asset*

The amounts of post-employment defined benefit asset of CSC and MI as of December 31, 2019 and 2018, which is recognized in the consolidated statements of financial position are determined as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets	P 11,689,387	P 48,867,276
Present value of the obligation	(4,015,489)	(36,566,566)
	<u>P 7,673,898</u>	<u>P 12,300,710</u>

The movements in the present value of post-employment defined benefit obligation recognized as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 36,566,566	P 32,885,129
Reclassifications	(32,551,077)	8,472,010
Current service cost	340,578	6,956,458
Interest cost	133,991	2,357,357
Actuarial loss (gains) due to changes in:		
Financial assumptions	438,755	(8,660,432)
Experience assumptions	1,291,470	(3,524,533)
Demographic assumptions	-	(702,855)
Benefits paid	-	(1,216,568)
Balance at end of year	<u>P 4,015,489</u>	<u>P 36,566,566</u>

The details of the fair value of plan assets in 2019 and 2018 are presented below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 48,867,276	P 41,456,400
Reclassifications	(37,177,889)	4,179,665
Contributions	-	3,834,532
Interest income	752,124	2,515,640
Return on plan assets (excluding amounts included in net interest)	(728,606)	(1,902,393)
Benefits paid	-	(1,216,568)
Balance at end of year	<u>P 11,689,387</u>	<u>P 48,867,276</u>

The composition of the fair value of plan assets as at December 31, 2019 and 2018 by category and risk characteristics is shown below.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	P 6,582	P 5,319,102
Debt and equity securities:		
FVTPL	4,969,471	32,603,108
FVOCI	6,685,919	10,237,375
Others	<u>27,415</u>	<u>707,691</u>
	<u>P 11,689,387</u>	<u>P 48,867,276</u>

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P0.02 million and P0.6 million in 2019 and 2018, respectively.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

(ii) Post-employment Benefit Obligation

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2019</u>	<u>2018</u>
Present value of the obligation	P 113,011,020	P 35,162,375
Fair value of plan assets	(<u>56,482,439</u>)	<u>-</u>
	<u>P 56,528,581</u>	<u>P 35,162,375</u>

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 35,162,375	P 42,261,263
Actuarial loss (gains) due to changes in:		
Financial assumptions	23,257,102	(2,787,177)
Experience assumptions	(10,991,338)	(3,212,270)
Demographic assumptions	(3,874,107)	(10,373,729)
Reclassifications	32,751,497	(9,922,505)
Balance from acquired subsidiary	19,727,562	-
Current service cost	12,915,080	17,822,363
Interest cost	6,612,816	1,374,430
Benefits paid	(<u>2,549,967</u>)	<u>-</u>
Balance at end of year	<u>P 113,011,020</u>	<u>P 35,162,375</u>

The details of the fair value of plan assets in 2019 are presented below.

Balance from acquired subsidiary	P	15,896,016
Reclassification		37,201,407
Interest income		3,973,144
Contributions		222,664
Benefits paid	(	1,861,753)
Remeasurements		<u>1,050,961</u>
Balance at end of year	P	<u>56,482,439</u>

The composition of the fair value of plan assets as at December 31, 2019 by category and risk characteristics is shown below.

Cash and cash equivalents	P	94,116
Debt and equity securities:		
FVTPL		51,523,907
FVOCI		4,326,052
Others		<u>538,364</u>
	P	<u>56,482,439</u>

The fair values of the above equity and debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy).

The plan assets earned a return of P5.0 million in 2019. Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

(iii) Post-employment Benefit Expense

The amounts of post-employment benefit expense recognized in the consolidated statement of profit or loss and consolidated statements of comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2019	2018	2017
<i>Recognized in profit or loss:</i>				
Current service cost	16.1	P 13,255,658	P 24,778,821	P 16,011,360
Net interest expense	17.1	<u>3,256,659</u>	<u>1,216,147</u>	<u>695,650</u>
		<u>P 16,512,317</u>	<u>P 25,994,968</u>	<u>P 16,707,010</u>
<i>Recognized in other comprehensive loss:</i>				
Net actuarial loss (gain)		P 10,121,881	(P 29,260,996)	(P 33,236)
Return on plan assets (excluding amounts included in net interest expense)		(<u>322,355</u>)	<u>1,902,393</u>	<u>1,351,100</u>
	20.2	<u>P 9,799,526</u>	<u>(P 27,358,603)</u>	<u>P 1,317,864</u>

Current service cost is allocated and presented in the consolidated statements of profit or loss under the following accounts:

	Notes		2019		2018		2017
Cost of sales and services	14	P	9,531,215	P	11,116,253	P	6,094,866
Other operating expenses			<u>3,724,443</u>		<u>13,662,568</u>		<u>9,916,494</u>
	16.1	P	<u>13,255,658</u>	P	<u>24,778,821</u>	P	<u>16,011,360</u>

The net interest expense incurred related to the post-employment defined benefit obligation is presented as part of Finance costs under the Other Income (Charges) – net section of the consolidated statements of profit or loss (see Note 17.1).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the retirement benefit obligation as at December 31, 2019 and 2018, the following actuarial assumptions were used:

	2019	2018
Discount rates	5.10% - 7.40%	5.70%
Expected rate of salary increase	4.60% - 5.20%	7.40%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 21 for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has investments in cash and cash equivalents, debt and equity securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) *Sensitivity Analysis*

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2019 and 2018.

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2019</u>			
Discount rate	+/- 1.0%	(P 10,682,360)	P 13,180,776
Salary growth rate	+/- 1.0%	12,234,856 (	10,090,930)
<u>December 31, 2018</u>			
Discount rate	+/- 1.0%	(P 5,607,191)	P 6,275,243
Salary growth rate	+/- 1.0%	6,477,769 (	5,569,717)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its BOD, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2019 and 2018 consists of equity and debt securities. The Group believes that equity securities offer the best returns over the long term with an acceptable level of risk. The majority of equity securities are in a diversified portfolio of local blue chip entities.

There has been no change in the Group's strategies to manage its risks from the previous period.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2019 and 2018, the plan is underfunded by P48.8 million based on the latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 21 periods' time when a significant number of employees is expected to retire.

The Group expects to make contribution of P2.4 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan within the next ten years from December 31, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
One to five years	P 54,175,096	P 42,489,272
More than five years but not more than ten years	<u>74,055,162</u>	<u>74,866,629</u>
	<u>P 128,230,258</u>	<u>P 117,355,901</u>

17. OTHER INCOME (CHARGES)

17.1 Finance Costs

The details of this account for the years ended December 31, 2019, 2018 and 2017 are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest expense on :				
Interest-bearing loans	12	P 1,150,536,861	P 761,501,452	P 507,291,749
Lease liabilities		63,248,608	-	-
Deficiency income taxes		6,951,794	14,216,262	-
Post-employment benefits	16.2(b)	<u>3,256,659</u>	<u>1,216,147</u>	<u>695,650</u>
		1,223,993,922	776,933,861	507,987,399
Bank charges		1,985,420	2,255,468	5,956,372
Foreign currency exchange losses – net		-	56,198,815	-
Impairment loss		-	-	3,035,462
Others		<u>64,024</u>	<u>-</u>	<u>-</u>
		<u>P 1,226,043,366</u>	<u>P 835,388,144</u>	<u>P 516,979,233</u>

17.2 Finance Income

The breakdown of this account for the years ended December 31, 2019, 2018 and 2017 are shown below.

		2019	2018	2017
Foreign currency exchange gains	P	21,547,320	-	P 5,526,564
Interest income		3,209,084	3,626,087	4,875,196
Gain on sale and leaseback		-	2,927,596	-
	P	<u>24,756,404</u>	<u>P 6,553,683</u>	<u>P 10,401,760</u>

17.3 Other Income

Presented below are the details of other income for the years ended December 31, 2019, 2018 and 2017.

	Notes	2019	2018	2017
Handling and trucking	P	80,228,836	P 71,878,889	P 34,729,429
Gain on sale of property and equipment		30,909,664	1,326,971	-
Rental income	19.3, 22.2	5,102,526	16,524,911	7,422,943
Gain on reversal of impairment losses on property and equipment	9	2,214,620	-	-
Rebates		-	11,000,086	14,828,417
Insurance claims		-	-	62,784,384
Miscellaneous		<u>38,891,141</u>	<u>37,871,559</u>	<u>24,156,358</u>
	P	<u>157,346,787</u>	<u>P 138,602,416</u>	<u>P 143,921,531</u>

Handling and trucking pertains to excess customer charges over amounts payable to various truckers.

Rebates pertain to the share of Trans-Asia on all cargo handling charges based on the Cebu Port Authority Tariff rates.

Miscellaneous includes gain on sale of scrap materials, excess customer charges over baggage, beddings and other services.

18. TAXES

18.1 Registration with the Board of Investments (BOI)

On November 23, 2011 and December 10, 2008, CSC had registered its activity for MT Great Diamond and MT Chelsea Cherylyn, respectively, with the BOI under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987 as a new operator of domestic/interisland shipping on a pioneer status. As a registered entity, the Group is entitled to tax and non-tax incentives, which include a six-year income tax holiday (ITH). Meanwhile, the tax incentive for MT Great Diamond started in November 2011. ITH incentives shall be limited only to the revenues generated by the registered activities.

In 2018 and 2017, PNX-Chelsea's BOI registration of MT Chelsea Dominance and MT Chelsea Charlize, which commenced in November 2016 and September 2015, respectively, for a period of four years, was transferred to the Group following its acquisition. The tax and non-tax incentives of MT Chelsea Dominance and MT Chelsea Charlize are similar to that of MT Great Princess and MT Chelsea Denise II.

Starlite had registered MV Archer, MV Saturn, MV Eagle, MV Reliance and MV Pioneer which commenced in March 2017, August 2016, May 2016, April 2016 and December 2015, respectively, for a period of four years. In 2019, Starlite had registered MV Starlite Sprint 1, which commenced on September 2019 for a period of four years.

SPFI had also registered MV Stella Del Mar on April 2017 for a period of four years. SGFI had also registered MV Salve Regina, MV Stella Maris, MV Trans-Asia 20 in November 2018, June 2019 and December 2019, respectively, for a period of four years.

In 2019, Trans-Asia had also registered MV Trans-Asia 19, which commenced in January 2019 with a period of four years.

SFFC had also registered MV St. Camael and MV St. Sariel, which commenced on July 2017 for a period of four years.

As a registered entity, Starlite, SPFI, SGFI, Trans-Asia and SFFC are entitled to tax and non-tax incentives, which includes a four-year ITH. ITH incentives shall be limited only to the revenues generated by the registered activities.

18.2 Current and Deferred Taxes

The components of tax income as reported in the consolidated statements of profit and loss and other comprehensive income are shown below.

	2019	2018	2017
<i>Recognized in profit or loss:</i>			
Regular corporate income tax	P 26,069,160	P 142,356,824	P 154,047,913
Minimum corporate income tax (MCIT)	2,102,988	136,292	806,885
Final tax at 20% and 7.5%	<u>595,334</u>	<u>362,177</u>	<u>763,600</u>
Deferred tax income relating to origination and reversal of temporary differences	28,767,482	142,855,293	155,618,398
	(<u>169,506,384</u>)	(<u>214,451,915</u>)	(<u>269,484,924</u>)
	(P <u>140,738,902</u>)	(P <u>71,596,622</u>)	(P <u>113,866,526</u>)
<i>Recognized in other comprehensive income —</i>			
Deferred tax expense relating to origination and reversal of temporary differences	P <u>159,150,294</u>	P <u>58,556,375</u>	P <u>3,139,645</u>

The reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax income reported in the consolidated statements of profit or loss is as follows:

	2019	2018	2017
Tax on pretax profit (loss) at 30%	(P 291,749,971)	(P 186,638,873)	P 14,205,959
Adjustments for income subjected to lower tax rates	(52,725)	(121,908)	(549,211)
Tax effects of:			
Nondeductible expenses	181,694,015	173,996,511	30,684,374
Nontaxable income	(19,512,974)	-	-
Net profit on BOI-registered activities	(11,117,247)	(57,360,493)	(36,538,741)
Benefit from previously unrecognized deferred tax assets (DTA)	-	(3,518,372)	-
Derecognition of unutilized DTA	-	3,357,615	9,918,118
Gain on bargain purchase	-	(1,311,102)	-
Pre-acquisition income	-	-	31,612,733
Deductible expenses charged to APIC	-	-	(169,579,640)
Unrecognized DTA on Net Operating Loss Carry Over (NOLCO)	-	-	3,782,582
Excess of optional standard deduction	-	-	2,597,300
	(P 140,738,902)	(P 71,596,622)	(P 113,866,526)

The net deferred tax assets of the Company and certain subsidiaries pertain to the following:

	2019	2018
NOLCO	P 493,264,822	P 393,628,519
Revaluation reserves on property and equipment	(128,995,682)	(123,064,147)
Post-employment benefit obligation	11,678,604	5,451,771
Capitalized borrowing costs	(6,972,952)	(7,069,055)
MCIT	3,818,851	5,883,572
Impairment losses on trade and other receivables	1,162,230	2,507,974
Accrued expenses	890,150	72,000
Unamortized past service cost	315,557	-
Unrealized foreign currency exchange losses – net	-	4,948,745
Impairment losses on property and equipment	-	611,054
Others	-	375,132
	<u>P 375,161,580</u>	<u>P 283,345,565</u>

The net deferred tax liabilities of certain subsidiaries as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Revaluation reserves on property and equipment	(P 168,049,371)	(P 100,009,056)
Revaluation surplus on disposed vessel	(3,036,983)	(3,036,983)
Impairment losses on long-term financial assets	2,721,268	2,721,268
Post-employment benefit obligation	2,448,967	1,857,339
Accrued expenses	2,057,831	2,057,831
NOLCO	410,883	14,197,287
Provisions	137,535	137,535
Impairment losses on trade and other receivables	51,291	51,291
Unrealized foreign currency exchange gains – net	4,490	4,490
MCIT	-	224,834
Others	(677,264)	(677,264)
	<u>(P 163,931,353)</u>	<u>(P 82,471,428)</u>

The net deferred tax income (expense) reported in the consolidated statements of profit or loss and consolidated statements of comprehensive income is shown below.

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	Profit or Loss	Other Comprehensive Income	Profit or Loss	Other Comprehensive Income	Profit or Loss	Other Comprehensive Income
Deferred tax income (expense):						
Revaluation reserves of vessels	P 89,662,657	(P 163,634,508)	P 77,836,409	(P 50,348,794)	P 8,528,446	(P 3,549,886)
NOLCO	85,849,899	-	129,206,015	-	262,600,813	-
Unrealized foreign currency loss – net	(4,948,745)	-	5,536,625	-	(6,636,437)	-
Post-employment benefit obligation	2,334,247	4,484,214	5,715,571	(8,207,581)	4,940,882	395,359
MCIT	(2,289,555)	-	(2,414,707)	-	189,554	-
Impairment loss on receivables	(1,345,744)	-	-	-	910,639	-
Others	243,625	-	(1,247,998)	-	(995,641)	14,882
	<u>P 169,506,384</u>	<u>(P 159,150,294)</u>	<u>P 214,631,915</u>	<u>(P 58,556,375)</u>	<u>P 269,538,256</u>	<u>(P 3,139,645)</u>

The details of the Group's NOLCO and MCIT are shown below.

Year		Original Amount	Applied in Previous Periods	Applied in Current Period	Expired Balance	Remaining Balance	Valid Until
NOLCO:							
2019	P	426,330,880	P -	P -	P -	P 426,330,880	2022
2018		461,300,595	-	79,006	-	461,221,589	2021
2017		895,541,094	P 21,134,127	116,373,754	-	758,033,213	2020
2016		18,417,131	18,417,131	-	-	-	
	P	<u>1,801,589,701</u>	<u>P 39,551,258</u>	<u>P 116,452,760</u>	<u>P -</u>	<u>P 1,645,585,683</u>	
MCIT:							
2019	P	2,102,988	P -	P -	P -	P 2,102,988	2022
2018		942,908	-	-	-	942,908	2021
2017		772,955	-	-	-	772,955	2020
2016		4,392,543	-	1,744,011	P 2,648,532	-	
	P	<u>8,211,394</u>	<u>P -</u>	<u>P 1,744,011</u>	<u>P 2,648,532</u>	<u>P 3,818,851</u>	

The Group is subject to the MCIT, which is computed at 2% of gross income, as defined under the tax regulations or RCIT, whichever is higher.

In 2019 and 2018, the Group opted to claim itemized deductions in computing for its income tax due. In 2017, Trans-Asia, FTC and DGMSI opted to claim OSD; all other entities in the Group claimed itemized deductions.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include Udenna, related parties under common ownership, associates, the Group's key management personnel and stockholders.

A summary of the Group's transactions with its related parties for the years ended December 31, 2019, 2018 and 2017 and the related outstanding balances as of December 31, 2019 and 2018 is presented below.

Related Party Category	Notes	Amounts of Transactions			Outstanding Balances	
		2019	2018	2017	2019	2018
Parent —						
Cash advances granted	19.4	(P 2,283,754,735)	P 518,714,995	P 2,428,234,009	P 663,194,269	P 2,946,949,004
Associate —						
Chartering of services rendered	19.1	237,132,921	376,645,369	69,405,000	18,525,327	38,277,400
Related parties under common ownership:						
Chartering of services rendered	19.1	987,960,089	680,403,799	531,535,742	305,378,198	185,639,320
Fuel purchases	19.2	1,769,113,489	1,504,293,849	363,571,237	(1,050,164,518)	(67,824,287)
Acquisition of SFFC's shares	19.6	650,000,000	-	-	(640,956,087)	-
Acquisition of CSC's shares	19.6	-	-	-	(500,000,000)	(500,000,000)
Rental income	19.3	3,003,290	5,072,938	5,044,967	-	571,219
Rental expense	19.3	644,065	2,825,746	2,295,681	(57,748)	(408,341)
Donation	19.8(b)	360,000	360,000	360,000	(30,000)	(210,000)
Cash advances granted	19.4	(29,548,339)	120,405,421	(194,446,078)	151,057,866	180,606,205
Cash advances obtained	19.4	1,078,717,998	(1,004,673,484)	955,012,897	(1,114,816,666)	(36,098,668)

The Group's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model (see Note 25.2).

Unless otherwise stated, the outstanding receivables and payables from and to related parties are unsecured, noninterest-bearing and are generally settled in cash upon demand or through offsetting arrangement with the related parties.

19.1 Charter Fees and Standby Charges

The Group entered into chartering agreements with PPPI, a related party under common ownership, and 2GO, an associate, which are made on the same terms as those transactions with third parties. The amounts of revenue recognized are presented as part of Charter fees and Standby charges under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of December 31, 2019 and 2018 is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 5).

The outstanding receivables from related parties are unsecured and do not bear any interest as the credit terms range from 30 to 45 days. Further, no impairment loss was recognized on the outstanding receivables from related parties as of December 31, 2019 and 2018 based on management's assessment.

19.2 Fuel Purchases

The Group purchases fuel and lubes from PPPI, a related party under common ownership. Fuel consumed is included as part of Bunkering under the Cost of Sales and Services account in the consolidated statements of profit and loss (see Note 14) while the remaining fuel and lubricants inventory amounting to P165.5 million and P216.7 million as of December 31, 2019 and 2018, respectively, are included as part of the Inventories account in the consolidated statements of financial position (see Note 7). The outstanding liability, which are unsecured, and do not bear any interest as the credit terms range from 30 to 90 days, arising from these transactions as of December 31, 2019 and 2018 is presented as part of Trade payables and Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

19.3 Rentals

The Group entered into a one-year contract of lease covering vehicles with Valueleases, Inc., a related party under common ownership. Related expense is presented as part of Rentals under Other Operating Expenses in the consolidated statements of profit or loss (see Note 15). The outstanding security deposits arising from this transaction is presented as part of Security deposits under the Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 22.3).

Furthermore, the Group bills a related party under common ownership for their corresponding share on the office space rent. Income from this transaction is presented as part of Rental income under the Other Income (Charges) section of the consolidated statements of profit or loss (see Note 17.3). The related receivable as of December 31, 2018, is presented as part of Trade receivables under the Trade and Other Receivables account in the 2018 consolidated statement of financial position (see Note 5).

The outstanding receivables from related parties are unsecured and do not bear any interest and are normally due within 30 days. No impairment loss was recognized on the outstanding receivables from these transactions as management has determined that such financial assets are fully collectible.

19.4 Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, noninterest-bearing cash advances to and from its related parties mainly for working capital requirements and to bridge financing of vessel acquisitions pending draw down of related loans.

As of December 31, 2019 and 2018, the outstanding receivable and payable balances from these advances are shown as Advances to Related Parties and Advances from Related Parties, respectively, in the consolidated statements of financial position. These advances have no repayment terms and are payable in cash on demand or through offsetting arrangement with the related parties.

The movement of Advances to Related Parties in 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 3,127,555,209	P 2,488,434,793
Net advances (collections)	(2,313,303,074)	639,120,416
Balance at end of year	<u>P 814,252,135</u>	<u>P 3,127,555,209</u>

Based on management's assessment, no impairment loss is recognized in 2019 and 2018 related to the advances granted to related parties (see Note 25.2).

The movement in the Advances from Related Parties account in 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 36,098,668	P 1,040,772,152
Net advances (payments)	<u>1,078,717,998</u>	(1,004,673,484)
Balance at end of year	<u>P 1,114,816,666</u>	<u>P 36,098,668</u>

19.5 Transactions with Post-employment Benefit Plan

The Group's retirement fund is a multi-employer retirement plan, which is administered by a trustee bank. The retirement fund includes investments in cash and cash equivalents, equity and debt securities, with fair value totaling P68.2 million and P48.9 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's retirement fund do not include any investments in any debt or equity securities issued by the Group or any of its related parties.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 16.2.

19.6 Acquisition of CSC and SFFC Shares

On November 24, 2016, the Company acquired all of the outstanding shares of CSC from PPPI, a related party under common ownership, for a total consideration of P2.0 billion. The carrying amounts of the consolidated assets and liabilities of CSC at the time of acquisition amounted to P8.4 billion and P5.4 billion, respectively. The excess of the net identifiable assets over the acquisition price is presented as Other Reserves under the Equity section of the consolidated statements of financial position (see Note 20.3).

On October 9, 2019, the Company acquired all of the outstanding shares of SFFC from 2GO for a total consideration of P650.0 million. The carrying amounts of the total assets acquired and liabilities assumed at the time of acquisition amounted to P1,124.1 million and P545.8 million, respectively. The excess of the acquisition price over the net identifiable assets is presented as part of Goodwill account in the 2019 consolidated statement of financial position (see Note 23).

As of December 31, 2019 and 2018, the outstanding liability from these transactions amounting to P1,141.0 million and P500.0 million, respectively, is presented as Non-trade payables under the Trade and Other Payables account in the consolidated statement of financial position (see Note 13).

19.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes short-term benefits and post-employment defined benefits and are included as part of Salaries and employee benefits under the Other Operating Expenses account in the consolidated statements of profit or loss (see Note 16).

19.8 Others

- (a) Certain interest-bearing loans of the Group were secured by a corporate guarantee of Udenna and by certain stockholders through a continuing surety agreement with the respective banks (see Note 12).
- (b) The Group granted donations amounting to P0.4 million in 2019, 2018 and 2017 to Udenna Foundation, Inc., a non-stock, non-profit organization, established by Udenna. This is presented as part of Miscellaneous under the Other Operating Expenses account in the consolidated statements of profit and loss (see Note 15).

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Shares		Amount	
	2019	2018	2019	2018
Authorized - P1 par value	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>P 2,000,000,000</u>	<u>P 2,000,000,000</u>
Issued and outstanding				
Balance at beginning and end of period	<u>1,821,977,615</u>	<u>1,821,977,615</u>	<u>P 1,821,977,615</u>	<u>P 1,821,977,615</u>

As of December 31, 2016, 500,000,000 shares have been subscribed amounting to P500.0 million, of which P150.0 million have already been collected. Subscription receivable amounting to P350.0 million as of December 31, 2016 was fully collected in 2017.

On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna wherein Udenna transferred to CLC 18,200 UIBV shares. In exchange, the Company issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna (see Note 10). In addition, the Group recognized APIC amounting to P5,272,615,385.

On July 11, 2017, the SEC issued an Order approving the Registration Statement covering the securities, which comprised the Company's outstanding capital stock. On August 8, 2017, the Company's shares were listed in the PSE and the trading of offer shares commenced. The Company offered to the public 546,593,000 primary shares at an offer price of P10.68 per share for a total gross proceeds of P5.8 billion. In addition, the Group recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2019 and 2018, the Company's listed shares closed at P5.50 and P6.46 per share, respectively.

20.2 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statements of changes in equity at their aggregate amount under the Revaluation Reserves account are shown below.

	Revaluation of Property and Equipment (see Note 9)	Gain or Loss on AFS Financial Asset	Actuarial Gain or Loss on PBO (see Note 16.2)	Share in OCI of Associates and a Joint Venture (see Note 10)	Cumulative translation adjustments	Total
Balance as of January 1, 2019	P 1,334,617,413	P -	P 53,959,943	P 108,049,607	P 1,242,692	P 1,497,869,655
Revaluation Increment	632,951,901	-	-	-	-	632,951,901
Remeasurements of post-employment benefit obligation	-	-	(9,799,526)	(26,478,210)	-	(36,277,736)
Currency exchange differences on translating financial statements of foreign operations	-	-	-	-	(715,045)	(715,045)
Other comprehensive income before tax	632,951,901	-	(9,799,526)	(26,478,210)	(715,045)	595,959,120
Tax income (expense)	(163,634,508)	-	4,484,214	-	-	(159,150,294)
Other comprehensive income after tax	469,317,393	-	(5,315,312)	(26,478,210)	(715,045)	436,808,826
Transfer to retained earnings - Depreciation of revalued tankers	(157,642,430)	-	-	-	-	(157,642,430)
Balance at December 31, 2019	P 1,646,292,376	P -	P 48,644,631	P 81,571,397	P 527,647	P 1,777,036,051
Balance as of January 1, 2018	P 1,287,281,993	P -	P 34,808,921	P 108,049,607	P 223,517	P 1,429,917,004
Revaluation Increment	167,829,312	-	-	-	-	167,829,312
Remeasurements of post-employment benefit obligation	-	-	27,358,603	-	-	27,358,603
Currency exchange differences on translating financial statements of foreign operations	-	-	-	-	1,466,209	1,466,209
Other comprehensive income before tax	167,829,312	-	27,358,603	-	1,466,209	196,654,124
Tax income (expense)	(50,348,794)	-	(8,207,581)	-	-	(58,556,375)
Other comprehensive income after tax	117,480,518	-	19,151,022	-	1,466,209	138,097,749
Transfer to retained earnings - Depreciation of revalued tankers	(70,145,098)	-	-	-	-	(70,145,098)
Balance at December 31, 2018	P 1,334,617,413	P -	P 53,959,943	P 108,049,607	P 1,242,692	P 1,497,869,655
Balance as of January 1, 2017	P 1,335,232,117	P 34,725	P 35,731,425	P -	P -	P 1,370,998,267
Remeasurements of post-employment benefit obligation	-	-	(1,317,864)	-	-	(1,317,864)
Disposal of AFS financial assets	-	(49,607)	-	-	-	(49,607)
Revaluation Increment	67,317,920	-	-	108,049,607	-	175,367,527
Pre-acquisition other comprehensive income	(55,484,964)	-	-	-	-	(55,484,964)
Currency exchange differences on translating financial statements of foreign operations	-	-	-	-	(223,517)	(223,517)
Other comprehensive income before tax	11,832,956	(49,607)	(1,317,864)	108,049,607	(223,517)	118,291,575
Tax income (expense)	(3,549,886)	14,882	395,355	-	-	(3,139,645)
Other comprehensive income after tax	8,283,070	(34,725)	(922,505)	108,049,607	(223,517)	115,151,930
Transfer to retained earnings - Depreciation of revalued tankers	(56,233,193)	-	-	-	-	(56,233,193)
Balance at December 31, 2017	P 1,287,281,994	P -	P 34,808,920	P 108,049,607	P 223,517	P 1,429,917,004

20.3 Other Reserves

Other reserves amounting to P1.0 billion pertain to the excess of the net identifiable assets of CSC amounting to totaling P3.0 billion over the Company's acquisition price of P2.0 billion. The business combination entered was accounted for under the pooling-of-interest method (see Note 19.6).

20.4 Non-controlling Interest

The balance as at December 31, 2019 and 2018 represents preferred shares subscription of certain individuals in Trans-Asia. These shares are non-voting and redeemable at the option of Trans-Asia.

20.5 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an Employee Stock Option Plan (the ESOP) covering all regular employees with at least one year of service from the date of grant. This was subsequently ratified by stockholders holding at least two-thirds of the outstanding capital stock on March 15, 2019. The objective of the ESOP is to recognize the loyalty, dedication and exemplary performance of the employees of the Company, thereby encouraging long-term commitment to the Company.

Under the ESOP, the Company shall initially reserve for exercise of stock options up to 56.3 million common shares of the Company's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares, 66.67% of which were granted to existing employees as of the initial offering date (IOD) while the remaining 33.33% is reserved for employees hired after the IOD. Stock options may be granted within five years from the adoption of the ESOP and may be exercised within 10 years from the date of grant. The exercise price shall be based on the volume weighted average price of the Company 30 days prior to the IOD. The options shall vest for a period of one to five years from the initial offering date. The Company shall receive cash for the stock options.

As of December 31, 2019, pursuant to the ESOP, the Company has granted the option to its eligible employees to subscribe to 37.6 million shares of the Company. An option holder may exercise in whole or in part his vested option, provided that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. No options have vested as at December 31, 2019.

21. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings for profit (loss) attributable to the Company's stockholders are computed as follows:

	2019	2018	2017
Net profit (loss)	(P 831,761,000)	(P 550,532,956)	P 161,219,723
Divided by weighted average shares outstanding	<u>1,821,977,615</u>	<u>1,821,977,615</u>	<u>1,309,830,939</u>
Earnings (loss) per share – basic and diluted	<u>(P 0.457)</u>	<u>(P 0.302)</u>	<u>P 0.123</u>

In relation to the approved ESOP for eligible employees, the options exercisable by any of the option holders are considered as potentially anti-dilutive shares as at the end of December 31, 2019. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2019 and 2018; hence, diluted earnings per share is equal to the basic earnings per share.

22. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

22.1 Charter Agreements

The Group has existing commitments to charterers under TC, CVC, and BB agreements, which ranges from two to five years, for the use of its vessels in transporting oil products for a fixed period. Also associated with these charter agreements is the obligation to keep the Group's vessels in good working condition and compliant with all the shipping regulations as required by the Maritime Industry Authority.

22.2 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several operating leases covering certain office spaces in 2019 and 2018. The leases have terms from one to five years, with renewal options, and include annual escalation from 5.0% to 10.0%. Commitments amounted to P635,685 as of December 31, 2018, and is expected to be settled within a year. As of December 31, 2019, the Group does not have operating lease commitments as a lessor as the leases have already expired during the year.

Rent income amounted to P5.1 million, P16.5 million and P7.4 million in 2019, 2018 and 2017, respectively, and is presented as part of Other income account under Other Income (Charges) – net section of the consolidated statements of profit and loss (see Note 17.3).

The Group also entered into BB agreements, which qualifies as a lease. Income recognized under BB agreements amounted to P152.4 million, P157.4 million and P130.7 million in 2019, 2018 and 2017, respectively. These are presented as part of Charter fees under Revenues in the consolidated statements of profit or loss. Commitments relating to these agreements as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Within one year	P 155,082,336	P 161,854,224
After one year but not more than five years	<u>161,544,100</u>	<u>330,452,374</u>
	<u>P 316,626,436</u>	<u>P 492,306,598</u>

22.3 Operating Lease Commitments – Group as Lessee (2018)

The Group is a lessee under lease covering the usage of vessels, container yards, certain office and warehouse spaces. The leases have terms ranging from five to ten years, with renewal options, and includes annual escalation rate of 3.0% to 10.0%. The future minimum lease payables under this operating lease are as follows as of December 31, 2018:

Within one year	P 105,661,233
More than one year but not more than five years	156,174,921
More than five years	<u>76,956,496</u>
	<u>P 338,792,650</u>

The related security deposit on this operating lease amounted to P81.2 million and P11.5 million as of December 31, 2019 and 2018, respectively, and is shown as part of Security deposits under the Other Current Assets and Other Non-current Assets accounts in the consolidated statements of financial position (see Notes 8 and 11).

22.4 Finance Lease Commitments – Group as Lessee (2018)

The Group has finance leases covering certain machinery and equipment with terms maturing in 2021. The future minimum lease payment (MLP) under finance leases together with the present value (PV) of net minimum lease payments (NMLP) as of December 31, 2018 follows:

	<u>MLP</u>	<u>PV of NMLP</u>
Within one year	P 29,808,914	P 24,207,330
After one year but not more than five years	<u>39,414,096</u>	<u>35,673,912</u>
	69,223,010	59,881,242
Amounts representing finance charges	(<u>9,341,768</u>)	<u>-</u>
	<u>P 59,881,242</u>	<u>P 59,881,242</u>

Total liability relating the finance lease is shown as part of Interest-bearing Loans and Borrowings in the 2018 consolidated statement of financial position (see Note 12.4).

22.5 Legal Claims

In 2016, Trans-Asia was a defendant of a litigation related to the sinking of MV Asia South Korea. The Regional Trial Court had provided a decision to award the plaintiffs of the case a total of P8.9 million for four casualties and 11 survivors. The Group's legal counsel has advised that it is probable that Trans-Asia will be found liable; hence, a provision for the claim has been made in the consolidated financial statements. On August 9, 2017, Trans-Asia and the plaintiffs signed a compromise agreement whereby Trans-Asia paid P8.8 million.

In October 2017, three other complainants of the similar litigation that was filed against the Company related to a dispute with passengers for the sinking of M/V Asia South Korea signed a compromise agreement with the Company to which Trans-Asia paid P0.5 million. A provision for the claim with probable settlement amount of P0.8 million has been made in the consolidated financial statements. On June 1, 2018, Trans-Asia and the two plaintiffs signed a compromise agreement whereby Trans-Asia paid P0.2 million. The outstanding liability is presented as part of Provisions under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

22.6 Unused Lines of Credit

As of December 31, 2019 and 2018, the Group has unused lines of credit amounting to P64.0 million and P409.6 million, respectively.

22.7 Mergers and Acquisitions

On June 28, 2018, the Company received the Philippine Competition Commission's (PCC) Decision, which declared void the Company's acquisition of Trans-Asia in 2016 for failure to comply with the notification requirements of the PCC. A penalty of P22.8 million was imposed by PCC against the Company and Udenna. On the same date, in its Decision regarding the Company's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO, the PCC upheld said acquisition on account that the Trans-Asia acquisition had been declared void.

On July 13, 2018, the Company filed its Motion for Reconsideration of the June 28, 2018 Decision of the PCC on the Trans-Asia acquisition, and on July 18, 2018, it filed its Motion for Partial Reconsideration of the PCC Decision on the KGLI-NM acquisition wherein it prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

Subsequently, on September 5, 2018, the Company received the order of the PCC setting the Trans-Asia and the KGLI-NM acquisitions for joint hearing on September 17, 2018. At said hearing, the Company's Chairman, Dennis A. Uy, confirmed that the Company intends to proceed with the acquisition of Trans-Asia and that it agrees to be bound by the PCC's conditions and remedies to address the competition concerns arising from the Trans-Asia acquisition.

On September 21, 2018, the Company and Trans-Asia filed their separate Notification Forms on the Trans-Asia acquisition. Subsequently, in its October 4, 2018 Resolution, the PCC ruled that the Company's Motion for Reconsideration of the June 28, 2018 Decision is denied for being moot. In the same Resolution, the PCC reduced the penalty earlier imposed on Udenna and the Company to 1% of the Trans-Asia transaction or P 11.4 million.

On October 9, 2018, the Notice of Sufficiency from the PCC regarding the Notification Forms for the Trans-Asia acquisition was received and the Company paid the imposed penalty on October 10, 2018.

On October 19, 2018, the Company filed its Voluntary Commitments for the Trans-Asia acquisition and on January 11, 2019, the PCC resolved that it will not take further action on the said acquisition on the basis of the conditions provided in the Voluntary Commitments submitted by the Company. The Voluntary Commitments submitted by the Company include among others, price monitoring of passenger and cargo rates, submission of semi-annual reports on all trips of passenger and cargo services in the critical routes, explanation of all extraordinary rates increases in the critical routes, and maintenance of service quality of passenger and cargo routes based on customer satisfaction index developed by a third party monitor.

On October 7, 2019, the Company, Trans-Asia and 2GO filed a Joint Manifestation and Compliance stating that the Parties are unable to comply with the Voluntary Commitments and, as a result, PCC ordered the setting aside of the Decision approving the Trans-Asia acquisition and reverting the transaction to merger review.

On October 25, 2019, the Company received the Request for Information / Documents issued by the PCC on the Trans-Asia acquisition, and on November 26, 2019, the PCC issued another order requiring the submission of additional documents / information largely pertaining to 2Go, which were both complied with by the Company.

Management is optimistic that it will be able to comply with the requirements of the PCC regarding the Trans-Asia acquisition, and that the pending matter will not have an adverse effect on the operations and financial condition of the Group.

22.8 Shipbuilding Agreements

On April 25, 2018, the Group signed two shipbuilding contracts for the delivery of two 98-meter bed/seat Ro-Ro type passenger ferry ships presently identified as Builder's Nos. S-1190 and S-1191. These ferry ships will be built at Kegoya Dock's shipyard in Hiroshima Prefecture, Japan. S-1190 was delivered on October 2019 while S-1199 will be delivered on April 2020. As part of these shipbuilding agreements, the Group has paid an amount equivalent to P1,128.9 million and P180.6 million in 2019 and 2018, respectively, and is presented as part of Vessels and vessel equipment and CIP under the Property and Equipment account of the consolidated statement of financial position (see Note 11). Total capital commitments amounted to P576.5 million and P1,886 million as of December 31, 2019 and 2018, respectively.

Also, on June 20, 2019, the Company signed another shipbuilding agreement for the construction of a 123-m Bed/Seat Ro-Ro type passenger vessel. This vessel will be built in Fukuoka Shipyard and will be delivered in June 2021. As part of the shipbuilding agreement, the Group has initially paid P71.7 million and is presented as part of CIP under the Property and Equipment account of the 2019 consolidated statement of financial position.

22.9 Warehouse Construction

On September 19, 2019, the Group entered into a Construction Contract with a general contractor to undertake the construction of its central distribution warehouse for a total amount of P390.2 million, exclusive of VAT. As part of the agreement, the Group initially paid 15% mobilization fees and is included as part of Advances to suppliers under the Other Non-Current Assets account in the 2019 consolidated statement of financial position (see Note 11).

22.10 Others

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which have not been reflected in the Group's consolidated financial statements. Management is of the opinion that losses, if any, from other commitments and contingencies will not have material effects on the Group's consolidated financial statements.

23. GOODWILL

Goodwill recognized primarily comprises the value of expected synergies from the acquisition of the subsidiaries as part of the Group's expansion and is derived by deducting the fair values of the net assets acquired as of the date of acquisition from the amount of consideration paid. The movements of this account as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 5,641,434,544	P 5,637,918,869
Additions due to business combinations	<u>71,688,064</u>	<u>3,515,675</u>
Balance at end of year	<u>P 5,713,122,608</u>	<u>P 5,641,434,544</u>

(a) 2019 Acquisitions

On October 9, 2019, the Company acquired 100% ownership interest in SFFC for a total consideration amounting to P650.0 million. The following are the provisional fair values of the identifiable assets acquired and liabilities assumed from this subsidiary as at the date of acquisition:

Cash	P	40,417,324
Trade and other receivables		6,233,897
Inventories		10,395,342
Other current assets		28,545,381
Property and equipment - net		979,609,198
Other non-current assets		58,861,116
Trade and other payables	(	160,009,581)
Interest-bearing loans	(	385,740,741)
	P	<u>578,311,936</u>

The excess of the acquisition costs over the net assets of SFFC amounting to P71.7 million is presented as part of Goodwill in the 2019 consolidated statement of financial position. The accounting for this business combination was determined provisionally as the Company is still finalizing the fair valuation of the assets acquired.

The revenues and net loss of SFFC that were included in the 2019 consolidated financial statements amounted to P205.2 million and P14.7 million, respectively.

(b) 2018 Acquisitions

On October 22 and August 10, 2018, the Company acquired 100% ownership interest in SPFI and SGFI, respectively, for a total consideration amounting to P90.6 million and P14.2 million, respectively. The fair values of the identifiable assets acquired and liabilities assumed from these subsidiaries as at the date of acquisition are presented below.

	SFPI		SGFI		Total	
Cash and cash equivalents	P	12,731,674	P	2,603,783	P	15,335,457
Trade and other receivables		25,930,140		910,938		26,841,078
Inventories		3,151,286		128,334		3,279,620
Property and equipment		451,942,901		542,325,953		994,268,854
Other non-current assets		986,754		122,850		1,109,604
Trade and other payables	(	82,476,819)	(	75,366,829)	(	157,843,648)
Interest-bearing loans	(	317,249,752)	(	460,078,204)	(	777,327,956)
Net Assets	P	<u>95,016,184</u>	P	<u>10,646,825</u>	P	<u>105,663,009</u>

The excess of acquisition costs over the net assets of SGFI amounting to P3.5 million is presented as part of Goodwill account in the consolidated statements of financial position.

In addition, the fair values of the identifiable assets and liabilities assumed from SPFI as at the date of acquisition were determined to be higher than the total cost; hence, the Group recognized a gain amounting to P4.4 million and is presented as Gain on bargain purchase under Other Income (Charges) section of the 2018 consolidated statement of profit or loss.

The revenues and net profit (loss) of SPFI and SGFI that were included in the 2018 consolidated financial statements are as follows:

2018	SPFI	SGFI	Total
Revenues	P 9,000,000	P 16,500,000	P 125,135,813
Net Profit (Loss)	P 4,963,842	(P 7,752,864)	P 4,051,247

(c) 2017 Acquisitions

On March 27, November 8 and November 9, 2017, the Company acquired 100% ownership interest in UIBV, WSI and Starlite, respectively, for a total consideration of P6,048.0 million, P600.0 million and P1,677.8 million, respectively. The fair values of the identifiable assets acquired and liabilities assumed from these subsidiaries as at the date of acquisition were as follows:

	UIBV	WSI	Starlite	Total
Cash and cash equivalents	P 25,508,842	P 65,588,642	P 88,983,637	P 180,081,121
Trade and other receivables	765,659	63,365,673	844,057,036	908,188,368
Prepayments and other current assets	-	4,936,396	89,270,689	94,207,085
Property and equipment	-	13,864,952	2,301,692,380	2,315,557,332
Investment in associate	2,104,212,296	-	-	2,104,212,296
Other non-current assets	-	5,614,686	11,470,799	17,085,485
Trade and other payables	-	(18,282,601)	(360,025,772)	(378,308,373)
Interest-bearing loans	-	(7,561,112)	(2,446,689,650)	(2,454,250,762)
Other non-current liabilities	-	(6,025,955)	(18,663,921)	(24,689,876)
Net Assets	P 2,130,486,797	P 121,500,681	P 510,095,198	P 2,762,082,676

The excess of acquisition costs over the net assets of UIBV, WSI and Starlite amounting to P3,917.4 million, P478.5 million and P1,167.7 million, respectively, is presented as part of Goodwill account in the consolidated statements of financial position.

The revenues and net profit recognized by UIBV, WSI and Starlite at the date of acquisition were as follows:

	UIBV	WSI	Starlite	Total
Revenues	P -	P 192,467,905	P 786,745,751	P 979,213,656
Net Profit	P -	P 45,611,439	P 59,764,337	P 105,375,776

In prior years, the Company acquired 100% ownership interest in BMI and MI. The fair value of the net assets of BMI and MI as of the acquisition date amounted to P21.6 million and P1.1 million, respectively. As such, goodwill amounting to P10.4 million for BMI and P63.9 million for MI representing excess of purchase price over the fair value of their respective net assets and net liabilities was recognized in the consolidated statements of financial position.

Goodwill is subject to annual impairment testing as required under PAS 36. Management used different approaches in determining the recoverable amount of the recorded Goodwill.

Management's impairment analysis for Starlite and WSI were based on discounted cash flows based on each cash generating unit's five-year financial projections using each entity's weighted average cost of capital as the discount rate. The weighted average cost of capital of SFI and WSI were computed based on the capital asset pricing model. Further, the impairment analysis generally assumes inflation rate of 6.00% and terminal growth rate of 3.74%, which was based on the forecasted Philippine long-term growth rate. Revenue projections were based on the capacities of existing and projected capital expenditures within the five-year period. Management also assessed that the entities will continue as going concern entities and will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support its business needs.

On the other hand, the Company engaged a third party consultant to perform an independent impairment testing of goodwill for UIBV. The third party consultant used market-based valuation methodologies based on the subsidiary's five year financial forecasts and used industry data and comparable metrics. Among these were trading analysis using comparable shipping and logistics companies that are publicly-listed within the Association of Southeast Asian Nations and analysis of precedent majority and minority stake transactions within the comparable industry in the Southeast Asian region. The third party consultant's valuation report was dated October 31, 2018 and management has assessed that there is no significant change since the date of the report.

Based on these analyses, management has assessed that no impairment of goodwill is required to be recognized as of December 31, 2019 and 2018.

24. SEGMENT INFORMATION

24.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's different business segments are as follows:

- (a) Tankering services is involved in the conveyance, carriage, loading, transportation, discharging and storage of petroleum products, goods and merchandise of every kind;
- (b) Tugboats services is involved in the towage and salvage of marine vessels and other crafts including their cargoes upon seas, lakes, rivers, canals, bays, harbors and other waterways between the various ports of the Philippines;
- (c) Roll-on/roll of passenger shipping services is involved in the transport of passengers and cargoes within Philippine territorial waters and/or high seas;
- (d) Distribution and warehousing services is involved in the logistics services such as but not limited to cargo freight forwarding (air, land and sea), cargo consolidation, courier services, distribution, trucking, warehousing, customs brokerage, packing and crating, etc.;
- (e) Ship management and crewing services is involved in the business of ship management and in providing full and partial crewing for domestic and foreign vessels; and,
- (f) Investing and other activities include holding companies.

Segment accounting policies are the same as the policies described in Note 2.4.

24.2 Segment Assets and Segment Liabilities

Segment assets include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories and property and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

24.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation and combination in 2019, 2018 and 2017.

24.4 Analysis of Segment Information

The tables below present revenue and profit information regarding business segments for the years ended December 31, 2019 and 2018 and 2017 and assets and liabilities information regarding segments as at December 31, 2019 and 2018.

	Investing and Other Activities	Tankerage	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Elimination	Consolidated
2019								
SEGMENT RESULTS								
Sales to external customers	P -	P 1,578,682,852	P 338,321,437	P 4,056,243,693	P 458,661,865	P 141,634,456	P -	P 6,573,544,343
Intersegment sales	388,311,675	-	80,156,825	10,200,000	-	455,525,924	(534,194,428)	-
Total revenues	388,311,675	1,578,682,852	418,478,262	4,066,443,693	458,661,865	597,160,420	(934,194,428)	6,573,544,343
Cost of sales and services	-	1,605,856,363	316,032,833	3,355,107,460	251,712,924	439,949,644	(545,882,749)	5,422,776,475
Other operating expenses	198,804,313	245,629,481	56,023,535	6,299,915,848	125,861,244	130,591,698	(390,654,512)	996,171,610
Operating profit (loss)	189,507,366	127,197,008	(33,734,935)	71,220,385	81,087,657	26,619,078	2,342,833	554,596,258
Finance costs	(86,935,787)	(569,335,493)	(9,678,457)	(552,882,476)	(3,693,143)	(3,518,011)	-	(1,226,043,366)
Share in net income of an associate	(483,155,985)	-	-	-	-	-	-	(483,155,985)
Finance income	6,434,555	9,499,865	9,184	8,298,430	439,044	75,322	-	24,756,404
Other income	72,528,076	156,049,682	5,400,089	124,498,767	420,547	2,792,459	(204,342,833)	157,346,787
Profit (loss) before tax	(301,621,771)	(276,588,938)	(38,004,118)	(348,864,894)	78,254,145	25,968,848	(202,000,000)	(572,499,902)
Tax expense (income)	34,126,083	(115,350,578)	16,370,745	(116,460,090)	28,002,742	12,572,157	-	(140,738,902)
Net profit (loss)	(P 315,747,854)	(P 161,238,360)	(P 54,374,857)	(P 232,404,804)	P 50,251,403	P 13,396,656	(P 202,000,000)	(P 831,761,000)
SEGMENT ASSETS AND LIABILITIES								
Total assets	P 19,324,076,266	P 34,818,151,787	P 1,249,471,699	P 16,108,395,993	P 457,694,586	P 472,657,869	(P 16,381,459,024)	P 36,648,989,177
Total liabilities	P 6,200,252,633	P 10,287,844,825	P 606,525,683	P 13,780,104,720	P 242,400,788	P 174,210,951	(P 7,095,895,831)	P 24,195,443,789

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Elimination	Consolidated
2018								
SEGMENT RESULTS								
Sales to external customers	P -	F 1,757,891,739	F 333,938,349	F 2,718,512,313	F 286,904,889	F 74,784,753	F -	F 5,172,032,043
Intersegment sales	270,600,136	-	27,561,495	-	-	343,386,758	(641,548,389)	-
Total revenues	270,600,136	1,757,891,739	361,499,844	2,718,512,313	286,904,889	418,171,511	(641,548,389)	5,172,032,043
Cost of sales and services	-	1,280,255,117	236,836,409	2,108,489,121	156,265,142	343,843,989	(370,948,253)	3,754,741,525
Other operating expenses	213,688,402	303,991,393	66,622,200	467,902,115	63,339,429	59,400,047	(274,433,385)	900,510,203
Operating profit (loss)	56,911,733	173,645,228	30,479,740	142,121,077	67,300,318	14,927,475	3,833,249	516,780,315
Finance costs	(67,130,802)	(472,419,797)	(5,063,296)	(287,529,810)	(1,708,695)	(1,535,744)	-	(835,388,144)
Share in net income of an associate	(453,048,188)	-	-	-	-	-	-	(453,048,188)
Finance income	260,327	551,970	120,186	4,787,732	822,973	10,495	-	6,553,683
Gain on bargain purchase	4,370,340	-	-	-	-	-	-	4,370,340
Other income	2,422,448	13,497,623	126,180	125,223,180	-	1,166,233	(3,833,249)	138,602,416
Profit (loss) before tax	(456,214,142)	(284,724,975)	25,602,810	(15,397,821)	66,414,596	14,568,459	-	(622,129,578)
Tax expense (income)	8,087,094	(107,518,851)	16,698,734	(14,857,071)	20,138,887	5,854,585	-	(71,596,622)
Net profit (loss)	(P 464,301,236)	(F 177,206,124)	F 8,964,076	(P 540,750)	F 46,275,709	F 8,713,874	F -	(P 550,532,956)
SEGMENT ASSETS AND LIABILITIES								
Total assets	F 19,079,431,497	F 14,365,262,057	F 1,116,384,381	F 9,796,950,150	F 288,718,724	F 138,661,805	(P 12,494,153,390)	P 32,291,255,323
Total liabilities	F 4,949,434,237	F 9,708,083,288	F 583,364,648	F 8,065,317,881	F 115,344,703	F 118,707,818	(P 4,173,950,458)	P 19,366,302,118
2017								
SEGMENT RESULTS								
Sales to external customers	P -	F 1,227,036,207	F 261,321,170	F 2,180,760,492	F 240,040,535	P -	P -	P 3,909,167,404
Intersegment sales	203,293,982	-	12,473,814	-	-	204,735,092	(420,502,888)	-
Total revenues	203,293,982	1,227,036,207	273,794,984	2,180,760,492	240,040,535	204,735,092	(420,502,888)	3,909,167,404
Cost of sales and services	-	1,053,472,689	147,451,363	1,569,346,286	125,538,141	183,547,791	(217,208,906)	2,862,147,364
Other operating expenses	60,674,202	189,548,416	50,077,935	247,416,585	34,357,486	39,948,017	(92,349,729)	529,672,911
Operating profit (loss)	142,619,781	(15,984,898)	76,265,686	363,997,621	80,153,908	(18,760,716)	(110,944,253)	517,347,129
Other income (charges) - net	(54,433,571)	(209,382,650)	(11,591,672)	(84,700,326)	(1,181,265)	(272,925)	(3,055,747)	(364,618,156)
Profit (loss) before pre-acquisition income and tax	88,186,210	(225,367,548)	64,674,014	279,297,295	78,972,643	(19,033,641)	(114,000,000)	152,728,973
Pre-acquisition income	-	-	-	(59,764,337)	(45,611,439)	-	-	(105,375,776)
Profit (loss) before tax	88,186,210	(225,367,548)	64,674,014	219,532,958	33,361,204	(19,033,641)	(114,000,000)	47,353,197
Tax expense (income)	(196,012,113)	(43,543,308)	21,622,850	84,176,814	23,963,290	(4,074,059)	-	(113,866,526)
Net profit (loss)	P 284,198,323	(F 181,824,240)	F 43,051,164	P 135,356,144	F 9,397,914	(F 14,959,582)	(P 114,000,000)	P 161,219,723

The Group earned revenues from a certain related party, accounting for 14%, 13% and 13% of the total consolidated revenues of the Group in 2019, 2018 and 2017 (see Note 19.1).

24.5 Disaggregation of Revenues from Contracts with Customers

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 24.4. The Group determines that the categories used in the investor presentations and financial reports used by the Group's Executive Committee can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Tankering services segment mainly pertains to revenues from charter fees and standby charges, while tugboats services segment refers to revenues from tugboat fees. Roll-on/roll of passenger shipping services segment includes revenues from passage and freight, while distribution and warehousing, and ship management and crewing services segments pertain to revenues from rendering of services. All revenues presented in the segment information are recognized over time, except for those arising from standby charges amounting to P93.5 million and P24.0 million in 2019 and 2018, respectively, and sale of goods amounting to P127.6 million and P36.0 million in 2019 and 2018, respectively, which are recognized at point in time and those arising from BB agreements amounting to P149.8 million and P157.3 million in 2019 and 2018, respectively, which qualifies as a lease (see Note 2.16).

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 26. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below.

25.1 Market Risks

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's cash, trade and other receivables and interest-bearing loans, which are denominated in U.S. dollars.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

U.S. dollar denominated financial assets and financial liabilities, translated into Philippine pesos at the December 31, 2019 and 2018 closing rates follow:

	<u>2019</u>	<u>2018</u>
Financial assets	P 2,433,568	P 10,647,346
Financial liabilities	(236,805,333)	(316,344,000)
Net exposure	(P 234,371,765)	(P 305,696,654)

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2019 and 2018 would have decreased by P30.4 million and P39.6 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2019 and 2018, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/- 12.97% and +/- 12.95% change of the Philippine peso/U.S. dollar exchange rate for the years ended December 31, 2019 and 2018, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2019 and 2018 estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of the reporting period.

Exposures to foreign exchange rates vary during the year depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Sensitivity

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. At December 31, 2019 and 2018, the Group is exposed to changes in market interest rates through cash in bank and certain bank borrowings which are subject to variable interest rates (see Note 12). All other financial assets and financial liabilities have either fixed interest rates or are noninterest-bearing.

Cash in banks are tested on a reasonably possible change of +/- 0.68% and +/- 0.54% in 2019 and 2018, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.46% and +/- 0.23% in 2019 and 2018, respectively. These percentages have been determined based on the average market volatility of interest rates, using standard deviation, in the previous twelve months estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at the end of each reporting period, with effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/- P3.3 million and +/-P1.9 million for the years ended December 31, 2019 and 2018, respectively.

25.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example, by granting advances and rendering services to customers and related parties and by placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. Also, it is the Group's policy that all customers are subject to credit verification procedures.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position as summarized below.

	Notes	2019	2018
Cash and cash equivalents	4	P 375,228,505	P 443,495,969
Trade and other receivables – net (excluding advances to officers and employees)	5	2,204,826,665	1,369,911,121
Restricted cash	8, 11	20,748,270	1,637,081
Security deposits	8, 11	136,616,637	40,529,028
Advances to related parties	19.4	814,252,135	3,127,555,209
		P 3,551,672,212	P 4,983,128,408

None of the financial assets are secured by collateral or other credit enhancements, except for cash and trade and other receivables as described below.

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in cash are cash and cash equivalents which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

The Group applies the PFRS 9 simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31, 2019 and 2018, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined based on months past due, as follows for trade receivables (see Note 5).

	Current	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	Total
December 31, 2019					
Expected loss rate					
Gross carrying amount - trade receivables	0.00%	0.00%	0.00%	11.37%	
Loss allowance	919,964,891	504,236,808	416,947,104	171,569,269	2,012,718,072
	-	-	-	19,504,177	19,504,177
December 31, 2018					
Expected loss rate					
Gross carrying amount - trade receivables	0.00%	0.00%	0.00%	13.35%	
Loss allowance	910,679,168	192,273,740	54,062,333	131,821,567	1,288,836,808
	-	-	-	17,601,775	17,601,775

No additional impairment was recognized in relation to the Group's trade receivables as the historical loss rates from existing customers are low and deemed insignificant. The Group also considers the existence of financial liabilities, which may be offset against the outstanding trade receivables with the same counterparty. Financial assets past due for more than three months pertain mostly to the trade receivables from PPPI. The management believes that such receivables are not impaired as it may be offset against the Group's outstanding liabilities to PPPI. For due from agencies and claims receivable, no impairment losses were also recognized as these are assessed to be recoverable as there were no historical defaults from the authorized transacting agencies.

The credit risk for security and other deposits is also considered negligible as the Group has ongoing lease agreements with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

Furthermore, the Group's advances to related parties are repayable on demand and the contractual period refers only to the short period needed to transfer the cash once demanded. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date, taking into consideration historical defaults from the related parties. Management assessed that the outstanding advances from related parties as of December 31, 2019 and 2018 are recoverable since these the related parties were assessed to have a capacity to pay the advances upon demand and there were no historical defaults. Hence, no impairment is necessary.

25.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for short-term and long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2019, the Group's financial liabilities, excluding lease liabilities, have contractual maturities which are presented below.

	Notes	Current		Non-current	
		Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 3,652,965,371	P 2,765,901,031	P 8,007,417,469	P 3,348,327,507
Trade and other payables (except for government-related obligations)	13	10,191,038,037	-	-	-
Advances from related parties	19.4	557,408,333	557,408,333	-	-
		P 14,401,411,741	P 3,323,309,364	P 8,007,417,469	P 3,348,327,507

As at December 31, 2018, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Current		Non-current	
		Within Six Months	Six to 12 Months	One to Five Years	More than Five Years
Interest-bearing loans	12	P 5,673,981,385	P 1,130,501,732	P 9,740,720,792	P 2,408,802,755
Trade and other payables (except for government-related obligations)	13	3,146,020,255	-	-	-
Advances from related parties	19.4	18,049,334	18,049,333	-	-
		P 8,838,050,974	P 1,148,551,065	P 9,740,720,792	P 2,408,802,755

These contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

26. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

			2019				2018	
	Notes		Carrying Amounts		Fair Values		Carrying Amounts	Fair Values
Financial Assets:								
<i>At amortized cost:</i>								
Cash and cash equivalents	4	P	375,228,505	P	375,228,505	P	443,495,969	P 443,495,969
Trade and other receivables - net	5		2,204,826,665		2,204,826,665		1,369,911,121	1,369,911,121
Restricted cash	8, 11		20,748,270		20,748,270		1,637,081	1,637,081
Security deposits	8, 11		136,616,637		136,616,637		40,529,028	40,529,028
Advances to related parties	19.4		814,252,135		814,252,135		3,127,555,209	3,127,555,209
Financial Assets at FVTPL —								
Equity securities	6		3,947,736		3,947,736		3,947,736	3,947,736
		P	3,555,619,948	P	3,555,619,948	P	4,987,076,144	P 4,987,076,144
Financial Liabilities —								
<i>At amortized cost:</i>								
Trade and other payables	13	P	10,191,038,037	P	10,191,038,037	P	3,146,020,255	P 3,146,020,255
Interest-bearing loans	12		16,307,121,192		16,307,121,192		15,619,861,853	15,619,861,853
Advances from related parties	19.4		1,114,816,666		1,114,816,666		36,098,668	36,098,668
		P	27,612,975,895	P	27,612,975,895	P	18,801,980,776	P 18,801,980,776

See Notes 2.5 and 2.10 for the description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 25.

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set off financial assets and financial liabilities in 2019 and 2018 and does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instruments may have the option to settle on a net basis in the event of default of one of the parties through approval by the respective BOD and stockholders of both parties or upon instruction by Udenna. In addition, the Group's outstanding interest-bearing loans from certain banks can be potentially set-off to the extent of the Group's outstanding cash deposited in the same banks.

The outstanding balances of trade and other receivables and cash advances granted to related parties totaling P1,138.2 million and P3,352.0 million as of December 31, 2019 and 2018, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P3,306.0 million and P604.5 million as of December 31, 2019 and 2018, respectively.

The Group also has certain trade receivables which were used as collateral to secure the payment of certain interest-bearing loans (see Notes 5 and 12.1). Certain cash balances are also restricted for use to secure line of credits with banks (see Notes 8 and 11).

27. FAIR VALUE MEASUREMENTS AND DISCLOSURES

27.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

27.2 Financial Instruments Measured at Fair Value

The Group's financial instruments measured at fair value includes the Financial Assets at FVTPL amounting to P3.9 million and is presented in the consolidated statements of financial position on a recurring basis.

These are included in Level 1 as the prices of the shares were valued based on their market prices quoted in the PSE at the end of each reporting period.

The Group has no financial liabilities measured at fair value as of December 31, 2019 and 2018.

27.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities as of December 31, 2019 and 2018, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

		2019			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
<i>At amortized cost:</i>					
Cash and cash equivalents	P	375,228,505	P -	P -	P 375,228,505
Trade and other receivables - net		-	-	2,204,826,665	2,204,826,665
Restricted cash		20,748,270	-	-	20,748,270
Security deposits		-	-	136,616,637	136,616,637
Advances to related parties		-	-	814,252,135	814,252,135
	P	<u>395,976,775</u>	P -	P 3,155,695,437	P 3,551,672,212
Financial Liabilities —					
<i>At amortized cost:</i>					
Trade and other payables	P	-	P -	P 10,191,038,037	P 10,191,038,037
Interest-bearing loans		-	-	16,307,121,192	16,307,121,192
Advances from related parties		-	-	1,114,816,666	1,114,816,666
	P	<u>-</u>	P -	P 27,612,975,895	P 27,612,975,895
		2018			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
<i>Loans and Receivables:</i>					
Cash and cash equivalents	P	443,495,969	P -	P -	P 443,495,969
Trade and other receivables - net		-	-	1,369,911,121	1,369,911,121
Restricted cash		1,637,081	-	-	1,637,081
Security deposits		-	-	40,529,028	40,529,028
Advances to related parties		-	-	3,127,555,209	3,127,555,209
	P	<u>445,133,050</u>	P -	P 4,537,995,358	P 4,983,128,408
Financial Liabilities:					
<i>At amortized cost:</i>					
Trade and other payables	P	-	P -	P 3,146,020,255	P 3,146,020,255
Interest-bearing loans		-	-	15,619,861,853	15,619,861,853
Advances from related parties		-	-	36,098,668	36,098,668
	P	<u>-</u>	P -	P 18,801,980,776	P 18,801,980,776

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments.

27.4 Fair Value Measurements of Non-financial Assets

The fair values of the Group's vessels, included as part of Property and Equipment account, were determined based on the appraisal reports of a professional and independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations (see Note 9). To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, capacity and condition of the vessels. In estimating the fair value of these vessels, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The Level 3 fair value of vessels was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019 and 2018.

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the consolidated statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2019</u>	<u>2018</u>
Total liabilities	P 28,550,652,121	P19,366,302,118
Total equity	<u>12,453,545,388</u>	<u>12,924,953,205</u>
Debt-to-equity ratio	<u>2.29 : 1.00</u>	<u>1.50 : 1.00</u>

The Group's goal in capital management is to maintain a debt-to-equity structure ratio which is in line with the Group's covenants related to its bank borrowings.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.



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**Report of Independent Auditors
to Accompany Supplementary
Information Required by the
Securities and Exchange
Commission Filed Separately
from the Basic Consolidated
Financial Statements**

Punongbayan & Aroullo

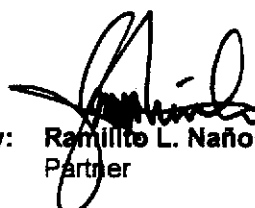
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated February 12, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: **Ramillito L. Nafola**
Partner

CPA Reg. No. 0090741

TIN 109-228-427

PTR No. 8116551, January 2, 2020, Makati City

SEC Group A Accreditation

Partner - No. 0395-AR-4 (until Sept. 16, 2022)

Firm - No. 0002-FR-5 (until Mar. 26, 2021)

BIR AN 08-002511-19-2018 (until Jan. 25, 2021)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 12, 2020

Certified Public Accountants

Punongbayan & Aroullo is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao
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CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
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Financial Statements

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Consolidated Statements of Financial Position as of December 31, 2019 (with Comparative Figures as at December 31, 2018)
Consolidated Statements of Comprehensive Income for the year ended December 31, 2019 (with Comparative Figures for the periods ended December 31, 2018 and 2017)
Consolidated Statements of Changes in Capital Deficiency for the year ended December 31, 2019 (with Comparative Figures for the periods ended December 31, 2018 and 2017)
Consolidated Statements of Cash Flows for the year ended December 31, 2019 (with Comparative Figures for the periods ended December 31, 2018 and 2017)
Notes to Consolidated Financial Statements

Supplementary Schedules

Report of Independent Auditors on Supplementary Schedules Filed Separately from the Basic Consolidated Financial Statements

Schedule	Description
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable and Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

Reconciliation of Retained Earnings Available for Dividend Declaration
Map Showing the Relationship Between and Among Related Entities
List of Standards and Interpretations under Philippine Financial Reporting Standards Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2019
Financial Soundness Indicators

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2019

(Amounts in Philippine Pesos)

<i>Name of issuing entity and association of each issue (i)</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet</i>	<i>Valued based on the market quotation at end of reporting period</i>	<i>Income received and accrued</i>
San Miguel Corporation	38,200	P 3,947,736	P 3,947,736	P -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenma Corporation)

SCHEDULE 8 - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2019

(Amounts in Philippine Pesos)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Non-current	
Advances to Related Parties							
Stockholders		P 28,308,963	-	-	P 28,308,963	-	P 28,308,963

CHILSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udeana Corporation)
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018
(Amounts in Philippine Pesos)

Name and designation of debtor	Affected Accounts	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
				Amounts collected	Amounts written off	Current	Not current	
Chelsea Logistics and Infrastructure Holdings Corp.	Trade Receivables	156,251,854	454,908,080	248,300,419	-	342,860,615.00	-	342,860,615
Trans-Aze Shipping Lines Inc.	Trade Payables	83,216,185	328,096,010	11,640,000	-	194,672,193.02	-	194,672,193
PNK- Chelsea Shipping Corp.	Trade Payables	20,417,218	47,150,456	81,267,040	-	36,800,635.77	-	36,800,636
Worklinks Services Inc.	Trade Payables	18,398,841	51,861,235	36,304,927	-	8,950,148.40	-	8,950,148
Chelsea Shipping Corp.	Trade Payables	13,018,794	54,805,532	28,658,838	-	39,165,428.50	-	39,165,428
Devas Gulf Marine Services Inc.	Trade Payables	8,113,972	7,444,874	3,922,449	-	11,636,397.28	-	11,636,397
Chelsea Ship Management & Marine Services Corp.	Trade Payables	5,906,088	4,472,084	8,493,106	-	3,283,063.98	-	3,283,064
Fortis Tugs Corporation	Trade Payables	3,819,061	15,780,366	7,883,908	-	12,235,519.81	-	12,235,519
Quality Metal & Shipworks, Inc.	Trade Payables	2,759,889	6,197,278	-	-	8,957,166.42	-	8,957,166
Michael, Inc.	Trade Payables	2,205,779	6,093,679	3,835,335	-	4,464,118.66	-	4,464,118
Dynamic Cuisine, Inc.	Trade Payables	1,369,917	1,200,116	-	-	4,564,032.79	-	4,564,033
Chelsea Marine Manpower Resources, Inc.	Trade Payables	931,884	3,803,149	1,233,773	-	1,581,257.78	-	1,581,258
Bunkers Manila, Inc.	Trade Payables	809,382	1,754,579	1,648,791	-	1,917,169.48	-	1,917,169
Starry Shoppes, Inc.	Trade Payables	448,315	1,053,547	-	-	1,499,062.55	-	1,499,062
Oceanstar Shipping Corp.	Trade Payables	298,641	1,575,941	-	-	1,872,802.25	-	1,872,802
CD Ship Management & Marine Services Corp.	Trade Payables	155,831	2,367,040	730,591	-	1,992,480.00	-	1,992,480
Starlite Ferries, Inc.	Trade Payables	-	121,798,479	67,782,530	-	53,855,929.17	-	53,855,929
Starbass Food Services Corp.	Trade Payables	-	3,210,722	-	-	3,210,722.18	-	3,210,722
Chelsea Ship Management & Marine Services Corp.	Trade Receivables	5,579,305	89,441,680	80,608,901	-	14,412,284	-	14,412,284
Starlite Ferries, Inc.	Trade Payables	2,822,400	-	2,822,400	-	-	-	-
Fortis Tugs Corporation	Trade Payables	1,904,000	8,332,800	6,468,800	-	767,200	-	767,200
Michael, Inc.	Trade Payables	672,000	4,543,612	4,837,303	-	877,100	-	877,100
Bunkers Manila, Inc.	Trade Payables	181,105	1,472,210	1,415,292	-	240,028	-	240,028
Chelsea Shipping Corp.	Trade Payables	-	50,861,411	42,492,289	-	8,069,152	-	8,069,152
PNK-Chelsea Shipping Corp.	Trade Payables	-	24,532,647	18,578,847	-	4,958,800	-	4,958,800
CD Ship Management & Marine Services Corp.	Trade Receivables	1,822,400	51,840,800	40,327,200	-	13,836,000	-	13,836,000
PNK-Chelsea Shipping Corp.	Trade Payables	1,822,400	12,096,000	7,970,400	-	6,948,000	-	6,948,000
Starlite Ferries, Inc.	Trade Payables	-	93,868,800	32,356,800	-	1,512,000	-	1,512,000
Trans-Aze Shipping Lines, Incorporated	Trade Payables	-	5,376,000	-	-	5,376,000	-	5,376,000
Chelsea Marine Manpower Resources, Inc.	Trade Receivables	48,577,153	360,946,838	344,820,267	-	83,106,728	-	83,106,728
PNK-Chelsea Shipping Corp.	Trade Payables	11,112,643	104,121,792	100,741,241	-	16,493,196	-	16,493,196
Starlite Ferries, Inc.	Trade Payables	12,456,948	39,745,459	34,560,835	-	17,641,355	-	17,641,355
Chelsea Shipping Corp.	Trade Payables	12,998,839	129,913,526	124,218,497	-	18,083,868	-	18,083,868
Fortis Tugs Corporation	Trade Payables	4,871,178	34,264,750	33,501,166	-	5,734,763	-	5,734,763
Michael, Inc.	Trade Payables	2,786,916	19,838,143	19,866,468	-	2,758,592	-	2,758,592
Devas Gulf Marine Services, Inc.	Trade Payables	1,457,718	7,550,246	4,211,138	-	4,796,829	-	4,796,829
Bunkers Manila, Inc.	Trade Payables	1,862,159	8,601,683	8,808,136	-	1,175,706	-	1,175,706
Trans-Aze Shipping Lines Inc.	Trade Payables	10,752	17,574,292	4,241,895	-	13,543,289	-	13,543,289
Southwest Gallant Ferries, Inc.	Trade Payables	-	7,740,009	4,671,092	-	3,068,916	-	3,068,916
Chelsea Shipping Corp.	Trade Receivables	11,175,848	888,257	1,580,944	-	10,282,860	-	10,282,860
Fortis Tugs Corporation	Trade Payables	8,931,527	-	-	-	8,931,527	-	8,931,527
Chelsea Ship Management & Marine Services Corp.	Trade Payables	2,244,121	-	1,540,844	-	683,177	-	683,177
Bunkers Manila, Inc.	Trade Payables	-	658,040	-	-	658,040	-	658,040
Chelsea Marine Manpower Resources, Inc.	Trade Payables	-	10,216	-	-	10,216	-	10,216
PNK-Chelsea Shipping Corp.	Trade Payables	-	-	-	-	-	-	-
Michael, Inc.	Trade Payables	-	-	-	-	-	-	-
Devas Gulf Marine Services, Inc.	Trade Payables	-	-	-	-	-	-	-
Fortis Tugs Corporation	Trade Receivables	6,989,200	69,280,447	36,780,686	-	57,518,881	-	57,518,881
Trans-Aze Shipping Lines Inc.	Trade Payables	-	3,019,392	450,792	-	2,568,600	-	2,568,600
Starlite Ferries, Inc.	Trade Payables	437,000	804,800	937,684	-	304,116	-	304,116
Chelsea Shipping Corp.	Trade Payables	4,513,800	80,883,015	34,846,750	-	50,439,865	-	50,439,865
Bunkers Manila, Inc.	Trade Payables	108,200	289,520	107,320	-	285,200	-	285,200
Michael, Inc.	Trade Payables	-	1,082,240	993,840	-	832,400	-	832,400
PNK- Chelsea Shipping Corp.	Trade Payables	1,458,000	2,395,200	526,700	-	3,266,500	-	3,266,500
Starlite Gallant Ferries, Inc.	Trade Payables	471,400	1,202,080	1,391,380	-	282,100	-	282,100
Fortis Tugs Corporation	Dividends receivable	7,000,000	-	-	-	7,000,000	-	7,000,000
Devas Gulf Marine Services Inc.	Dividends payable	7,000,000	-	-	-	-	-	7,000,000
Trans-Aze Shipping Lines Inc.	Dividends receivable	-	9,500,000	-	-	9,500,000	-	9,500,000
Quality Metal & Shipworks, Inc.	Dividends payable	-	9,500,000	-	-	-	-	9,500,000
Dynamic Cuisine, Inc.	Dividends payable	-	1,500,000	-	-	1,500,000	-	1,500,000
Starry Shoppes, Inc.	Dividends payable	-	3,000,000	-	-	3,000,000	-	3,000,000

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE D - INTANGIBLE ASSETS

DECEMBER 31, 2019

(Amounts in Philippine Pesos)

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	<i>Ending balance</i>
Goodwill	P 5,641,434,544	P 71,688,064	-	-	-	P 5,713,122,608

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udena Corporation)

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2019

(Amounts in Philippine Pesos)

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>
Term loans	P 12,871,810,798	P 1,924,295,582	P 8,874,595,628
Bank loans	4,066,447,077	4,043,147,077	-
Mortgage loans	230,551,274	45,811,426	184,739,848
Lease Liabilities	1,234,531,631	111,246,482	1,123,285,149
			<u>1,123,285,149</u>
	P 18,403,340,780	P 6,124,500,567	P 10,182,620,625
			<u><u>10,182,620,625</u></u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019
(Amounts in Philippine Pesos)

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenna Corporation)

SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

(Amounts in Philippine Pesos)

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount of guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2019

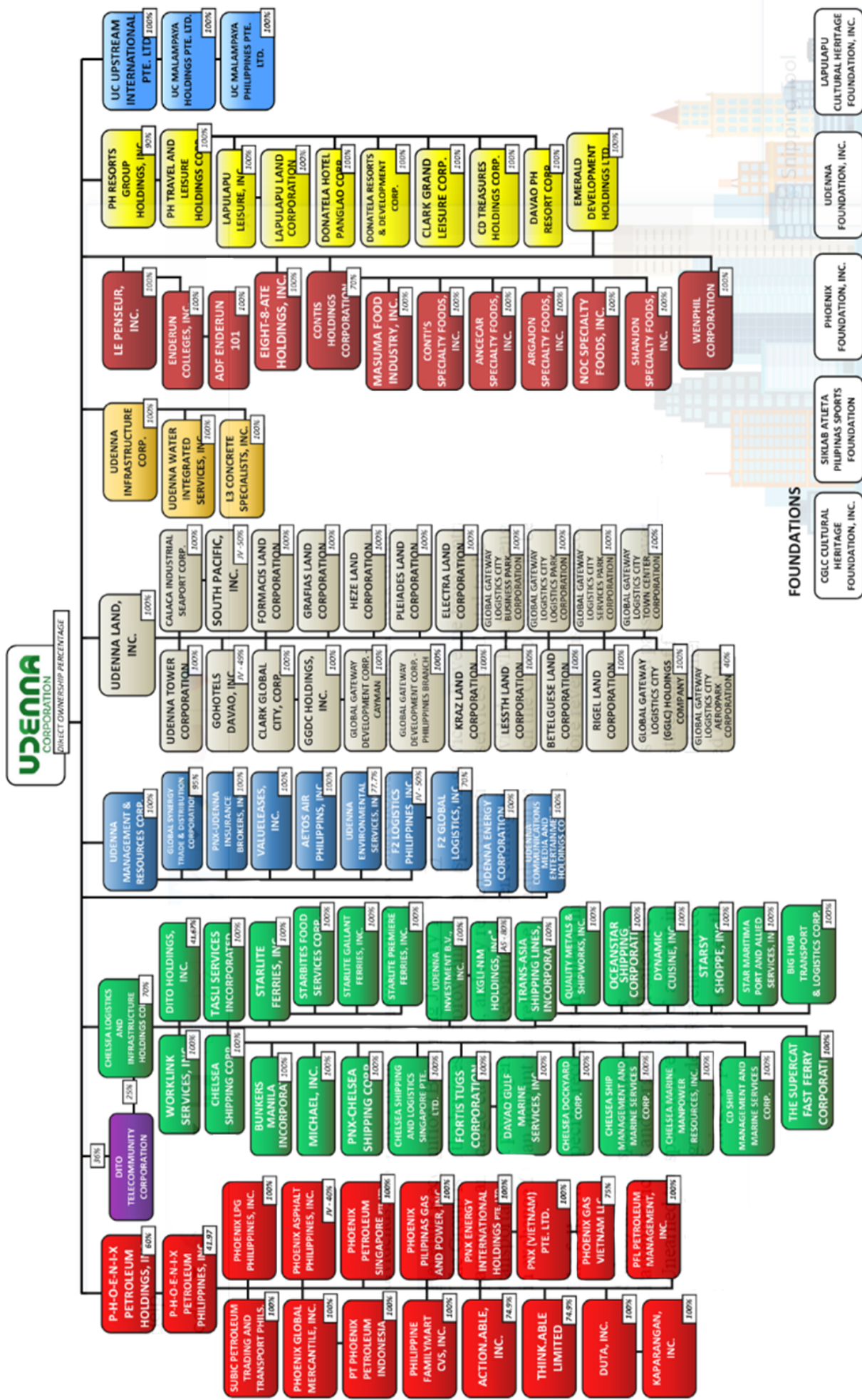
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding under Related Balance	Number of Shares Reserved for Options, Warrants, Conversions	Number or Shares Held By		
				Related Parties (Parent, Affiliates)	Directors, Officers and Employees	Others
Common Shares	2,000,000,000	1,821,977,615	Not Applicable	1,275,384,606	2,823,808	543,769,201

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Holdings Corp.)

(A Subsidiary of Udenma Corporation)

Map Showing the Relationship Between and Among Related Entities



FOUNDATIONS

- CGIC CULTURAL HERITAGE FOUNDATION, INC.
- SIKLAB ATLETA PILIPINAS SPORTS FOUNDATION
- PHOENIX FOUNDATION, INC.
- UDENNA FOUNDATION, INC.
- LAPULAPU CULTURAL HERITAGE FOUNDATION, INC.

*CLC has indirect ownership in 2GO Group, Inc. of 28.18%

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2019

RETAINED EARNINGS AT BEGINNING OF YEAR (As Presented in the 2018 Audited Financial Statements)		P	197,865,526
Less: Deferred tax income		(	<u>191,905,851</u>)
DEFICIT AT BEGINNING OF YEAR (As Adjusted)			5,959,675
Net Profit Actually Realized during the Year			
Net profit for the year	147,420,512		
Less: Deferred tax income	<u>-</u>		<u>147,420,512</u>
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF YEAR		P	<u>153,380,187</u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
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Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Revised Conceptual Framework for Financial Reporting* (effective January 1, 2021)				✓
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation	✓		
	Amendment to PFRS 3: Definition of a Business* (effective January 1, 2020)			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture* (effective date deferred indefinitely)			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Joint Arrangements	✓		
PFRS 11	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation	✓		
	Disclosure of Interests in Other Entities	✓		
PFRS 12	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
PFRS 17	Insurance Contracts* (effective January 1, 2021)			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
	Amendments to PAS 1: Definition of Material* (effective January 1, 2020)			✓

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
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Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2019

PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 8: Definition of Material* <i>(effective January 1, 2020)</i>			✓
PAS 10	Events After the Reporting Period	✓		
	Income Taxes	✓		
PAS 12	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	✓		
	Amendment to PAS 12 - Tax Consequences of Dividends	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 19	Employee Benefits	✓		
(Revised)	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23	Borrowing Costs	✓		
(Revised)	Amendment to PAS 23: Eligibility for Capitalization	✓		
PAS 24	Related Party Disclosures	✓		
(Revised)				
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
(Revised)	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	✓		
	Investments in Associates and Joint Ventures	✓		
PAS 28	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			✓
(Revised)	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss	✓		
	Amendment to PAS 28: Long-term interest in Associates and Joint Venture	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Leases	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments	✓		

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
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Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2019

<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2019 and are not early adopted by the Group.

** These standards have been adopted in the preparation of financial statements but the Group has no significant transactions covered in both years presented.

Report of Independent Auditors on Components of Financial Soundness Indicators

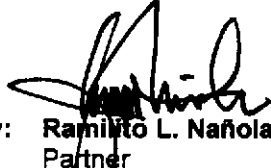
Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(Formerly Chelsea Logistics and Holdings Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated February 12, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO


By: **Ramilito L. Nafola**
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 8116551, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0395-AR-4 (until Sept. 16, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-19-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

February 12, 2020

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>2019</u>		<u>2018</u>		<u>2017</u>
Current Ratio					
Current Assets	<u>5,054,626,005</u>		<u>6,494,469,874</u>		<u>6,921,707,993</u>
Current Liabilities	<u>18,077,287,660</u>	0.28	<u>10,125,567,809</u>	0.64	<u>6,101,444,129</u>
					1.13
Debt-to-equity Ratio					
Total Liabilities	<u>28,550,652,121</u>		<u>19,366,302,118</u>		<u>13,222,225,907</u>
Total Equity	<u>12,453,545,388</u>	2.29	<u>12,924,953,205</u>	1.50	<u>13,157,388,412</u>
					1.00
Asset-to-equity Ratio					
Total Assets	<u>41,004,197,509</u>		<u>32,291,255,323</u>		<u>26,379,614,319</u>
Total Equity	<u>12,453,545,388</u>	3.29	<u>12,924,953,205</u>	2.50	<u>13,157,388,412</u>
					2.00
Interest Coverage Ratio					
EBITDA	<u>2,004,023,719</u>		<u>1,472,284,458</u>		<u>1,296,993,669</u>
Interest Expense	<u>1,223,993,922</u>	1.64	<u>776,933,861</u>	1.89	<u>507,987,399</u>
					2.55
Gross Profit Ratio					
Gross Profit	<u>1,550,767,868</u>		<u>1,417,290,518</u>		<u>1,047,020,040</u>
Total Revenues	<u>6,973,544,343</u>	22%	<u>5,172,032,043</u>	27%	<u>3,909,167,404</u>
					27%
EBITDA Margin					
EBITDA	<u>2,004,023,719</u>		<u>1,472,284,458</u>		<u>1,296,993,669</u>
Total Revenues	<u>6,973,544,343</u>	29%	<u>5,172,032,043</u>	28%	<u>3,909,167,404</u>
					33%
Net Profit Ratio					
Net Profit (Loss)	<u>(831,761,000)</u>		<u>(550,532,956)</u>		<u>161,219,723</u>
Total Revenues	<u>6,973,544,343</u>	(0.12)	<u>5,172,032,043</u>	(0.11)	<u>3,909,167,404</u>
					0.04
Book Value Per Share					
Total Equity	<u>12,273,545,388</u>		<u>12,744,953,205</u>		<u>13,157,388,412</u>
Number of Shares Outstanding	<u>1,821,977,615</u>	6.74	<u>1,821,977,615</u>	7.00	<u>1,821,977,615</u>
					7.22
Earnings Per Share					
Net Profit (Loss)	<u>(831,761,000)</u>		<u>(550,532,956)</u>		<u>161,219,723</u>
Weighted Average No. of Shares	<u>1,821,977,615</u>	(0.46)	<u>1,821,977,615</u>	(0.30)	<u>1,309,830,939</u>
					0.12