

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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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

32

Total No. of Stockholders

Total Amount of Borrowings

14,826,923,711

Domestic

2,943,706,377

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT OF CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (THE "CODE" OR "SRC")

1. For the fiscal year ended: **31 December 2023**
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. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga
Davao City 8000**
8. Registrant's telephone number: **(082)224-5373**
9. 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	₱ 1.00	1,821,977,615

10. 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

11. Check whether the issuer:

1. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

☒ Yes

☐ No

2. Has been subject to such filing requirements for the past ninety (90) days.

☒ Yes

☐ No

Contents

PART I – BUSINESS AND GENERAL INFORMATION.....	2
PARTII – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT’S COMMON EQUITY	24
PART III – FINANCIAL INFORMATION.....	26
PART IV – CONTROL AND COMPENSATION INFORMATION.....	27
PART V – CORPORATE GOVERNANCE.....	40
PART VI EXHIBITS AND SCHEDULES.....	42

PART I – BUSINESS AND GENERAL INFORMATION

I. Business Overview

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 ₱2.0 Billion.

On December 12, 2016, the Company acquired 100% ownership interest in Trans-Asia Shipping Lines, Incorporated for a total consideration of ₱216.3 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 owned 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008, and which held 39.85% economic interest in Negros Navigation Co., Inc. (NENACO). KGLI-NM acquired such interests in NENACO on May 13, 2008. NENACO, in turn owned 88.31% of 2Go Group, Inc. (2Go). NENACO acquired its interests in 2Go on December 28, 2010. Hence, CLIHC had a 28.15% indirect economic interest in 2Go. On March 18, 2021, CLIHC entered into a Share Purchase Agreement for the sale of its entire effective interests of around 31.73% in 2Go Group, Inc. through KGLI-NM Holdings, Inc.

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 the 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. PNX-Chelsea Shipping Corp. (PNX-Chelsea), incorporated on February 2, 2011, operates 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, is engaged in the general business of building and repairing ships, boats, and other kinds of vessels, as well as in shipbreaking 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.

- i. Chelsea Shipping and Logistics Pte. Ltd. incorporated and domiciled in the Republic of Singapore and is primarily engaged in the business of management consultancy services. This company has not yet started commercial operations as of December 31, 2023.

Trans-Asia Shipping Lines, Incorporated

Trans-Asia Shipping Lines, Incorporated (Trans-Asia), incorporated on March 25, 1974, transports passengers and cargo within Philippine territorial waters and/or on 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. Stary Shoppe, Inc. (SSI), incorporated on March 31, 2005, 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.
- 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, is engaged in the business of transporting persons and/or their baggage, cargo, goods, merchandise or effects by land and owning, leasing or chartering, offering for lease or chartering or operating land vehicles such as, but not limited to, buses, cars, jeeps or vans.

TASLI Services Incorporated

TASLI Services Incorporated was incorporated on September 10, 2019, and is engaged in the business of shipping agency and maritime operations and services. TASLI Services handles the operations of cargo vessels that operate from Manila with routes to Cebu, Davao, and back.

Worklink Services, Inc.

Worklink Services, Inc. (WSI), established in February 1999, provides domestic logistics solutions 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 as audit and encoding

Starlite Ferries, Inc.

Starlite Ferries, Inc. (SFI), incorporated on 26 August 1994, is engaged in the general business of domestic shipping, owning and operating any class, type, or description for domestic trade and chartering in and out of 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 vessels 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.

Another wholly-owned subsidiary, Precision Supply Chain Solution, Inc., was incorporated on 28 December 2023 and is engaged in the business of providing complete foreign and domestic end-to-end logistics and distribution services for any and all kinds of goods including last-mile delivery through the use of available motor vehicles and vessels, aircraft, and to operate the necessary warehouses in connection with said logistics and distribution services.

The Supercat Fast Ferry Corporation

The Supercat Fast Ferry Corporation, incorporated on 20 June 2001, is a passenger transport company that operates 11 fastcrafts on the routes Cebu—Ormoc, Cebu- Tagbilaran, Batangas—Calapan, and Bacolod- Iloilo.

Item 3. Subsidiaries

The following is the list of the Company's subsidiaries/affiliates as of December 31, 2023:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Chelsea Shipping Corp.	Philippines	Petroleum hauling	17 July 2006	100%
PNX-Chelsea Shipping Corp. ¹	Philippines	Petroleum hauling	2 February 2011	100%
Fortis Tugs Corporation ¹	Philippines	Towage, salvage of marine vessels	8 April 2013	100%
Davao Gulf Marine Services Inc. ²	Philippines	Towage, salvage of marine vessels	18 January 2012	100%
Michael Inc. ¹	Philippines	Cargo transport	26 December 1957	100%
Bunkers Manila Incorporated ¹	Philippines	Inter-island vessels for domestic trade	7 March 2000	100%
Chelsea Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	30 March 2012	100%
Chelsea Marine Manpower Resources, Inc. ¹	Philippines	Crewing	9 June 2016	100%
Chelsea Dockyard Corp. ¹	Philippines	Ship repairs and maintenance	8 January 2018	100%
CD Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	14 March 2018	100%
Chelsea Shipping and Logistics	Singapore	Management	2012	100%

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Pte. Ltd.		consultancy services		
Trans-Asia Shipping Lines, Incorporated	Philippines	Cargo/passengers inter-island transport	25 March 1974	100%
Ocean Star Shipping Corporation ³	Philippines	Towing services	6 July 2006	100%
Starsy Shoppe, Inc. ³	Philippines	Gift shop & convenience store	31 March 2005	100%
Dynamic Cuisine Inc. ³	Philippines	On-board restaurant	21 June 2000	100%
Quality Metal & Shipworks, Inc. ³	Philippines	Ship repairs and maintenance	28 November 2007	100%
Star Maritima Port and Allied Services, Inc. ³	Philippines	Arrastre services	11 October 2018	100%
Big Hub Transport and Logistics Corp.	Philippines	Trucking services	24 November	100%
Worklink Services, Inc.	Philippines	Logistics and forwarding	February 1999	100%
Starlite Ferries, Inc.	Philippines	Cargo/passengers inter-island transport	26 August 1994	100%
Starbites Food Services Corp. ⁴	Philippines	On-board restaurant	27 June 2018	100%
Starlite Gallant Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	16 March 2017	100%
Starlite Premier Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	26 July 2016	100%
Precision Supply Chain Solution, Inc. ⁴	Philippines	Logistics and distribution services	28 December 2023	100%
The Supercat Fast Ferry Corporation	Philippines	Inter-island transport	20 June 2001	100%
TASLI Services Incorporated	Philippines	Shipping agency business; maritime operations / services	10 September 2019	100%
Udenna Investments BV	The Netherlands	Holding Company	25 August 1994	100%
KGLI – NM Holdings, Inc.*	Philippines	Holding Company	8 August 2008	100%
Dito Holdings Corp.	Philippines	Holding Company	4 November 2019	8.59%

¹Wholly-owned subsidiary of Chelsea Shipping

²Wholly-owned subsidiary of Fortis Tugs

³Wholly-owned subsidiary of Trans-Asia

⁴Wholly-owned subsidiary of Starlite

Item 4. Significant Philippine Associates and Affiliates

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Relationship
Udenna Corporation	Philippines	Holding Company	19 March 2002	Parent of Chelsea Logistics and Infrastructure Holdings Corp.
Phoenix Petroleum Philippines, Inc.	Philippines	Petroleum	8 May 2002	43.85% owned by Udenna Corporation
PH Resorts Group Holdings, Inc.	Philippines	Tourism and gaming	30 January 2009	77.49% owned by Udenna Corporation
Dito CME Holdings Corp.	Philippines	Holding Company	1 March 1925	54.77% owned by Udenna Corporation

Item 5. Competition

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 approximately 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. ¹It is also an 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 subsidiaries operating nationwide: Chelsea Shipping, Trans-Asia Shipping Lines and Starlite Ferries handle shipping of cargoes, while Worklink Services provides end-to-end logistics solutions through its 77 delivery trucks and 11,294 sq.m. of warehousing capacity.

The major competitors in the Freight sector are:

1. Philippine Span Asia Carrier Corp.
2. Moreta Shipping Lines, Inc.
6. Cokaliong Shipping Lines, Inc.
7. 2Go Group, Inc.

- | | |
|--|-------------------------------------|
| 3. IRIS Lines | 8. Lite Shipping Corporation |
| 4. Meridian Shipping and Container Carrier, Inc. | 9. Gothong Southern Shipping Lines |
| 5. Oceanic Container Lines Inc. | 10. Kho Shipping Lines Incorporated |

B. Tankers

The transport of petroleum products is one of the essential businesses that propel the growth of the Philippine economy. There are approximately 7,641 islands in the country, of which more than half are inhabited. The populace needs fuel for transportation, electrical power, farming and other activities. It is the oil tankers and trucks which make sure that fuel is transported to places in our country where and when it is needed.

As of November 2023, the Maritime Industry Authority (MARINA) registered approximately 187 tankers in the country, with an average GRT of 1071.10 and an average age of 21 years.

Below are the major competitors of CLIHC on the tanker business:

1. SMC Shipping & Lighterage Corporation
2. Herma Shipping Group
3. Shogun Ships Co.
4. Swordfish Marine Corp./ Animo Marine Corp.

C. Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing/ pulling and towing them. Tugboats are widely utilized and useful especially in narrow & difficult waterways and crowded ports. Tug boats are designed with a wide range of mobility with their special propulsion system and steering structures which are used for docking & undocking and towing activities, as well as for rescue and oil spill drills. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

According to the November 2023 records of the MARINA, there are 952 registered tugboats and dredgers/barges in the Philippines with an average GRT of 653.72 and an average age of 28 years. Majority of the smaller GRT tugboats hold a Bay & River trading license from the 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. Sedar Tug Services Corp.
4. 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 November 2023, there are 3,933 passenger vessels registered with the MARINA, with an average GRT of 115.69 and an average age of 6 years. For the same period, there are 2,256, cargo vessels registered with the MARINA, with an average GRT of 782.67 and an average age of 18 years.

CLIHC's main competitors in RoPax segment include:

1. Asian Marine Transport Corporation
2. 2Go Travel
3. Cokaliong Shipping Lines, Inc.
4. Lite Shipping Corporation
5. Montenegro Shipping Lines, Inc.
6. Archipelago Philippine Ferries Corporation
7. Kho Shipping Lines Incorporated

E. Fast Craft Business

Fast crafts are high-speed catamarans which ferry passengers on short routes between islands.

CLIHC's main competitors in the fast craft business are:

1. Oceanjet Fast Ferries Corporation (Operator of Oceanjet Fast Crafts)
2. SRN Fast Seacrafts (Operator of Weesam Express Fast Crafts)
3. Grand Ferries (Operator of SeaCat Ferries)

Item 6. Costs and Effect of Compliance with Environmental Laws

The Company incurred ₱14,166,809.18 and ₱12,827,095.63 for 2023 and 2022, respectively for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses.

Item 7. Employees and Agreements of Labor Contracts, Including Duration

As of December 31, 2023, the Company has a total of 2,286 employees, 804 of which are crewmen and are stationed at various ports of operation, while the other 1,482 employees are office personnel or are members of support services.

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. On July 8,

2022, the separate CBAs for both unions were accordingly renewed effective August 11, 2022 and valid until August 10, 2027. The relationship with the unions has been generally harmonious and there has been no incidence of labor strikes in the past twenty-three (23) years, up to the present. There is also no impending or threatened labor strike.

Item 8. Corporate Social Responsibility

Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLIHC Group) are driven to deliver exceptional performance by promoting innovative and integrated shipping and logistics services and diligent stewardship of their resources. The CLIHC Group continues to strengthen its partnerships with the local communities to achieve tangible and sustainable Corporate Social Responsibilities (CSR) Program Plans, thereby maximizing favorable impact on the society and environment.

The CLIHC Group is one with the country and the global community in the promotion and realization of sustainable development goals with priority on quality education, climate action, gender equality, and inclusive partnerships.

Building Pillars Toward Sustainability

At the heart of everything that the CLIHC Group does is the genuine commitment to manage its businesses responsibly, by adhering to the highest ethical and professional standards for the people, the country, and the environment, and to give back to the communities where the Group operates.

CLIHC through its subsidiaries, recognizes its important role in helping build a sustainable nation. Our motivation is simple: a better world. We believe that every positive action, no matter how small, can lead to a big improvement for the planet and its people.

Our directive is to be one with the country and the global community in promoting and realizing global sustainable development goals through transformation of our people and processes.

Reducing our Carbon Footprint

We are committed to maintaining our position as a leader in the industry and we understand our great responsibility to the environment and our stakeholders. Thus, we have entered into strategic partnerships with leading Japan-based shipbuilders, namely Kegoya Dock Co., Ltd. and Fukuoka Shipbuilding Co., Ltd., and ship owner Kumiai Senpaku Co., Ltd. for the construction of brand-new vessels. Through this, we have strengthened our extensive fleet modernization program, introducing brand new and high-efficiency vessels specially made for the Philippine waters.

CLIHC has also taken steps to reduce the environmental footprint of its operations from services to transactions, such as reducing the volume of generated waste and increasing the percentage of recycled waste. It consciously observes more efficient operations and employs technologies which allow faster turnaround times and increased port capacity; and better designed engines and systems.

CLIHC has adopted 'green purchasing' as part of its Environmental Management system to purchase goods and services that cause less harm to environment.

CLIHC also prioritizes safety in its operations. The Philippine Maritime Industry Authority (MARINA) has issued the Document of Compliance (DOC) to Chelsea Ship Management & Marine Services Corp., CD Ship Management and Marine Services Corp., Starlite Ferries, Inc., and The Supercat Fast Ferry

Corporation – evidence that their Safety Management System and Company Processes (Safety Operation and Pollution Prevention) are compliant with the requirements of International Safety Management Code (ISM Code).

Further, the Chelsea Group partnered with the City Environment and Natural Resources Office – Department of Environment and Natural Resources (CENRO-DENR) and other local government units to advocate reforestation in the areas where it operates.

To complement its key environmental initiatives, the Chelsea Group also encourages all its employees to segregate office waste, to monitor their paper usage, and to think of ways of reducing their environment impact in all areas of business and personal life.

Investing in Our People

What sets us apart is our people. CLIHC ensures that all operational personnel are competent and skilled in safe procedures and are aware of potential hazards and how to avoid them.

Logistics is a highly technical and professional industry that requires a great deal of skill and knowledge. Thus, we believe that the impact of training and education is greater than ever before. In order to enhance the individual competence and skills of our workforce, CLIHC continuously provides Company trainings, certifications and seminars even beyond the standard requirements.

Moving forward, as the people element will be increasingly important as the industry moves toward higher standards of safety and sustainability, the Chelsea Group seeks to continuously do its part in investing in its workforce to achieve its vision and help realize sustainable development goals.

Giving Back to Society

Guided by its corporate values of “*Malasakit*” and Teamwork, Chelsea Logistics continued its implementation of programs in line with the United Nation’s Sustainable Development Goals (SDG). These programs are part of Chelsea Logistics’ aim to continuously support individuals, families, and communities especially in areas where it operates.

SUSTAINABLE DEVELOPMENT GOAL (SDG) 3 – GOOD HEALTH AND WELL-BEING

Establishing A Strong Foundation

Chelsea Logistics ensures that employee well-being aligns with the UN Sustainable Development Goal 3: Good Health and Well-Being, which seeks to ensure healthy lives and promote well-being for all across all ages. In 2023, the Group adopted employee engagement strategies designed to empower employees to be happy, healthy and engaged.

Worklink Services, Inc., our logistics and distribution arm, conducted regular Zumba sessions and a 3-minute daily exercise to promote not only physical fitness but also social interaction and camaraderie among team members.

Chelsea Logistics, in partnership with Hi-Precision Diagnostics and Intellicare, conducted an in-house Annual Physical Exam for its employees to identify potential health concerns at an early stage and offer preventive care suggestions. This activity is designed to bolster workplace productivity and foster a culture of overall wellness.

To maximize the benefits provided by Government institutions, Chelsea Logistics HR Team invited representatives from PhilHealth, Social Security System, and Pag-IBIG to conduct a comprehensive and informative orientation. This initiative aims to educate members and employers about their entitlements, obligations, and the various health insurance options accessible to them.

SDG 5 – GENDER EQUALITY

ChelSHE: Empowering Voices Across Tides

“A woman with a voice is, by definition, a strong woman.” Chelsea Logistics fortified its women empowerment campaign, ‘ChelSHE’, by featuring sea-based and land-based women employees not only during the women’s month in March but throughout the entire year 2023. In the powerful ChelSHE videos, women shared their journeys—from overcoming stereotypes and breaking barriers to thriving in male-dominated spaces. Their voices echoed across the waves, reaching shores far beyond the Company’s fleet. They shattered the notion that the sea was a man’s domain, proving that strength knows no gender.

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Engaging Chelsea Connectors through Lifelong Learning

The Chelsea Classroom, a dynamic knowledge sharing program within the Chelsea Group, launched into full swing in 2023. A total of 20 Chelsea Connectors rose to the occasion, embracing the challenge of becoming in-house trainers and facilitators. Their expertise spanned a diverse array of subjects, including workplace productivity, data privacy, technology, health, and safety. Together, they ignited a culture of continuous learning, fostering growth and excellence across the organization.

In May 2023, Quality, Health, Safety, and Environment Head, Capt. Edgardo Lutao, conducted a two-day seminar on Basic Occupational Safety and Health (BOSH) attended by 37 employees. The BOSH module, which is a training mandated by DOLE, equips individuals with the ability to recognize hazards, assess them, and rectify them. Conducting BOSH training in the workplace minimizes the likelihood of accidents and injuries, enhances employee morale, boosts productivity, and decreases expenses related to accidents.

On the technology side, Chelsea Logistics IT Team led a training workshop on low-code programming entitled: "Idea Mo, i-Code Mo!" A total of 11 non-IT team members from different Departments including Legal and Corporate Affairs, Strategic Communications and Branding, Procurement, Accounting, Treasury, Human Resources, and Administration, were taught to become citizen developers. This training program equips participants with the necessary skills to design and develop websites or mobile applications using Outsystems. To assess the effectiveness of the training, participants were tasked to create digital solutions tailored to enhance the efficiency and productivity of their respective departments.

In a strategic collaboration with Google, Chelsea Logistics has formed a dedicated team of Google Workspace Champions. These 11 Chelsea Connectors, carefully selected from diverse departments, will undergo rigorous training to master the intricacies of Google Workspace. Their mission is to empower colleagues across the organization by optimizing the suite’s tools and resources. The inaugural sessions, held in July and August, drew an enthusiastic audience of approximately 70 participants from across the Chelsea Group.

In September 2023, Chelsea Logistics HR Manager Sherlyn Guerzon conducted a seminar on the Safe Space Act in order to foster a secure and harmonious atmosphere for all employees. This legislation addresses all instances of gender-based sexual harassment (GBSH) occurring in public spaces,

educational or training institutions, workplaces, and online platforms. A total of 34 Chelsea Connectors attended the hybrid seminar.

Before the year ended, Chelsea Logistics' Internal Audit Manager, Katherine Agbay, led a crucial seminar on Data Privacy. In an era where data is as precious as gold, it becomes imperative for employees to wield heightened vigilance in their daily handling of sensitive information. With unwavering commitment, 150 Chelsea Connectors actively participated in this virtual seminar, fortifying their knowledge and ensuring the safeguarding of critical data.

SDG 9 - INDUSTRY INNOVATION AND INFRASTRUCTURE

Exemplifying Excellence and Enterprise: Onboard and Beyond

In September 2023, Starlite Ferries actively participated in the OneKlik Travel Sale Expo, hosted at the SM Mega Trade Hall. The Company's efforts were rewarded with both the Early Bird Exhibitors Award and the Most Facebook Trending Booth Award. This prestigious event served as an exceptional platform for Starlite Ferries to spotlight the finest offerings of the Philippines to an international audience.

Moreover, the flagship vessel of Trans-Asia, MV Trans-Asia 21 (TA21), received the highest accolade for its exceptional dedication to cleanliness in Category 3 (travel time exceeding 8 hours) during the National Maritime Week 2023 in September 2023 at the social hall of the Cebu Port Authority. MV Trans-Asia 21 underwent a thorough evaluation conducted by a dedicated and experienced inspection team comprised of professionals from MARINA, the Bureau of Quarantine, Cebu Port Authority, and other diligent maritime oversight authorities. By attaining the top position as the most environmentally-friendly vessel, Trans-Asia is not only setting higher benchmarks for ecological criteria but also motivating others in the industry to emulate its best practices on board.

As we charted our course toward becoming a more customer-centric organization, we accelerated our recovery by leveraging technology and fostering a culture of innovation across all employee levels. In a strategic alliance with Amazon Web Services, we have fully embraced cloud technology, making our operations 100% cloud-based. This transition not only enhances our efficiency but also aligns with our commitment to SDG 9.

From April 2020 to December 2023, our Cloud adoption has yielded remarkable results. We have saved 3.264 metric tons of carbon dioxide, equivalent to the greenhouse gas emissions produced by an average gasoline-powered car driven over 8,079,208 miles or equivalent to carbon sequestered by 54 tree seedlings grown for 10 years. By sailing the digital seas, we contribute not only to our own success but also to a more sustainable and resilient world.

SDG 14 - LIFE BELOW WATER AND SDG 15 – LIFE ON LAND

Enriching Biodiversity and Ecosystems

As highlighted by the Department of Environment and Natural Resources (DENR), tree planting activities hold immense potential for positive impact such as enhancing air quality, mitigating soil erosion, and creating wildlife habitats.

A total of 2,300 trees were planted by the Chelsea Group in 2023. With the participation of 21 employee volunteers, Trans-Asia Shipping Lines in Cebu collaborated with the City of Agriculture Office and Barangay Jagobiao Association in June and successfully planted 300 mangrove trees in Barangay

Jagobiao, Mandaue City. Mangroves possess dense root systems that serve as effective natural barriers, providing crucial protection to coastlines against erosion, storm surges, and severe weather occurrences.

On 14 October 2023, Chelsea Shipping Corp., Starlite Ferries, TASLI Services, Inc., and Worklink Services planted 2,000 trees in the coastal area of Barangay Wawa, Oriental Mindoro.

SDG 17 – PARTNERSHIPS FOR THE GOALS

Exemplifying the Spirit of Compassion and Partnership

In June 2023, the intrepid Chelsea Connectors achieved a remarkable feat: conquering not only the highest mountain in Luzon, Mt. Pulag Sacred Grounds, but also the hearts of children at Ambangeg Elementary School and Babadak Ranger Station.

A generous gesture was extended to 150 children, who were bestowed with a thoughtful gift comprising of a lunch box, raincoat, and tumbler. Meanwhile, the dedicated teachers were graciously provided with umbrellas, courtesy of the Udenna Foundation.

But the impact did not stop there. As part of Worklink’s anniversary celebration, employee volunteers stepped up, donating 30 bags of blood to the Philippine Red Cross. This yearly act of kindness has several significant benefits - saving up to three lives for each bag of donated blood, emergency preparedness for medical facilities, and reducing the donors’ risk of certain diseases with the production of new blood cells.

In this harmonious blend of adventure and kindness, Chelsea Connectors exemplified the spirit of compassion and partnership. Their actions resonated far beyond mountain peaks, leaving a legacy of positive change.

At Chelsea Logistics, our sustainable initiatives act as a powerful catalyst. They not only enhance our team synergy but also underscore our unwavering commitment to environmental, social, and economic responsibility. As we stride forward, our vision expands beyond mere milestones; we aspire to set audacious goals. By actively connecting with and contributing to our communities, we aim to ignite positive change. And as we champion innovation and inclusion, we recognize the crucial role Chelsea Logistics plays in shaping a more equitable and sustainable world. Together, we pave a path to a brighter future in which purpose and profit can coexist peacefully.

Item 9. Principal Competitive Strengths of the Company

CLIHC believes that it benefits from the following competitive strengths:

- a. Most number of diversified vessels that suits customer needs
- b. Expanded shipping routes
- c. Integrated website and Mobile App for booking convenience

Philippines shipping industry market leader by tanker capacity.

Based on the most recent MARINA information, CLIHC has the largest tanker fleet by tonnage amongst the five (5) major tanker players in the industry with a total GRT of 60,124.99.

Superior fleet quality and capacity complemented by nationwide maritime facilities and systems.

The majority of Company’s Vessels are registered under the IACS Classification Society which include Nippon Kaiji Kyokai (NKK), Lloyds Register (LR), Bureau Veritas (BV), American Bureau of Shipping

(ABS), and Korean Register of Shipping (KRS). These recognized International Association of Classification Societies (or the 'IACS') are focused on the implementation of IMO rules and regulations starting from the constructions of a vessel (new buildings); periodical surveys during the drydocking; conversions; and life extension of vessels. Having its vessels classed with these IACS, gives the Company the advantage when applying for a Certificate of Public Convenience (CPC) from the Maritime Industry Authority (MARINA). Other Company's vessels trading domestically are also surveyed /evaluated by Local Classification Societies such as Orient Register of Shipping (ORS), Ocean Register of Shipping, Filipino Vessels Classification System Association, Inc. (FVCSA) and the Philippine Register of Shipping (PRS). Furthermore, all of these Classifications Societies distinguishes the Company's Fleet as meeting operational and safety standards. Normally, customers prefer to deal with companies that have Classed vessels. The Company has an established preventive maintenance system and drydocking program for its vessel fleet to minimize the downtimes related to machinery breakdowns, engine overhauls and other types of repairs. During drydocking, routine engine evaluation, deck repainting, and hull cleaning are performed on the vessels. The Company endeavors to pass the strict evaluation of Classification Societies and of the MARINA and ensure satisfaction of its clients by aligning their requirements with vessel specifications.

Robust product offering

The Company's services provide robust and flexible end-to-end logistics solutions to our customers. From providing tanker services to tugboats assist; from regular cargo shipping to specialized delivery services, and up to warehousing. Catering to the retail market, our passage business has various routes options for travel nationwide. Our solid product line-up gives our customers the convenience and reliability most needed in transporting goods and passengers.

Seasoned Management Team of industry experts.

Collectively, the Management Team of the Company includes the most experienced maritime professionals in the Philippine tanker, RoRo passenger and cargo industries. All of the Company's captains are duly licensed by MARINA. Apart from their experience with the Company, most of the senior officers have had professional experience with other maritime companies, domestic and international, in various capacities. The Company's senior and middle management regularly attend extensive professional and technical trainings to further upgrade skills and keep abreast of latest developments in the industry. This depth and breadth of experience shared by the senior Management merits the Company an advantage in its pursuit of business opportunities and providing quality services.

Strong acquisition track record.

The Company is committed to delivering unrivalled shipping and logistics services and continuously pursues acquisition plans that are aligned with its vision of being the people's choice as the finest shipping and logistics Company.

The Company reported the following key strategic acquisitions:

- a. Acquisition of Trans-Asia Shipping Lines, Incorporated – December 2016
- b. Acquisition of Davao Gulf Marine Services Inc. – December 2016
- c. Substantial shareholdings in 2Go Group, Inc. – March 2017*
- d. Acquisition of Worklink Services, Inc. – November 2017
- e. Acquisition of Starlite Ferries, Inc. – November 2017
- f. Acquisition of Starlite Gallant Ferries, Inc. – August 2018

- g. Acquisition of Starlite Premiere Ferries, Inc. – October 2018
- h. Acquisition of The Supercat Fast Ferry Corporation – October 2019
- i. Acquisition of 30% stake in Oro Port – August 2021**

*sold in March 2021

**sold in November 2023

Item 10. Key Strategies and Objectives

CLIHC believes that the successful implementation of the following strategies will support its continued growth and profitability as it will increase the Company's market share and help it become the clear leader in the Philippine shipping and logistics industry.

Re-fleeting and continuous upgrade of vessels

The Company plans to acquire new and optimal-sized tankers and RoPax vessels configured to the preference of cargo owners and passengers, respectively, to improve efficiency and profitability.

Expansion into new routes

The Company capitalizes on first-mover advantage by expanding into areas in the Philippines which show superior growth. CLIHC constantly monitors the activity of various ports in the country, including key performance indicators such as ship calls and throughput. The Company also takes into consideration the expansion initiatives of each port and region to determine potential business opportunities. This monitoring process is integrated into the strategic deployment of its fleet.

In February 2023, SFI launched its newest route in the Province of Romblon via San Agustin. This newest route aims to serve and provide connectivity to the islands of Tables, Romblon and Sibuyan. The weekly schedule of Tuesday and Thursday trips from Batangas to San Agustin, and Wednesday and Friday trips from San Agustin to Batangas, ensure fast and reliable ferry transfer for passengers, and improved trade efficiency with direct routes. Also, in February 2023, SFI launched its Cebu-Dapitan-Cebu route, which offers a more direct and efficient connection between these 2 important economic centers. The maritime connectivity between Cebu and Dapitan also stimulated the tourism industry between these 2 tourist destinations. SFI serves the Cebu-Dapitan route every Monday, Thursday, Friday, and Saturday, while Dapitan to Cebu is every Tuesday, Friday, Saturday and Sunday.

Development of facilities to support the Group's core business

CLIHC is looking for opportunities to acquire (i) ports, (ii) port equipment and facilities, (iii) machineries, and (iv) shipyard, which would benefit the Company through reduction in costs of operations and enabling the Group to schedule the availability of the vessels after the regular maintenance period on a more reliable basis.

Similarly, the Company is developing support facilities for its core business, which facilities can be stand-alone businesses, separate from the core business, to wit:

- a. Skills training and education facility;
- b. Repair and maintenance and spare parts facility;
- c. Safety and security facility;
- d. Fuel, lubricants and laboratory facility; and
- e. Culinary and catering facility.

Expand regional operations

The medium-range tanker M/T Chelsea Providence has been operating under time charter since November 2018 in the United Arab Emirates, and this has been extended for another year. M/T Great Princess is operating in the Southeast Asia region under bareboat charter arrangement for a period of 5 years until April 2027.

In September 2022, M/T Maria formerly MT Chelsea Denise II commenced its bareboat charter in the region with the same company operating M/T Chelsea Providence and M/T Chelsea Dominance. M/T Chelsea Cherylyn departed from the Philippines in February 2023 to commence its bareboat charter agreement in the United Arab Emirates.

Item 11. 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.

- *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.

Item 12. Transactions with Related Parties

In the ordinary course of its business, CLIHC and its subsidiaries engage 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 include but not be limited to the following:

- Chartering services
- Fuel purchases
- Rentals
- Advances to/from related parties for working capital purposes

II. 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, 2023.

Name of Vessel	Registered Owner	Year Built	Type
1. M/T Chelsea Providence	CSC	2013	Medium Range Oil /Chemical Tanker
2. M/T Chelsea Cherylyn	CSC	2009	White Oil, Carrier, Tanker
3. M/T Chelsea Denise***	CSC	1985	Black / White Oil Carrier, Tanker
4. M/T Chelsea Resolute*	CSC	1979	White Oil, Carrier, Tanker
5. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
6. M/T Chelsea Excellence	CSC	1998	White Oil/ Methanol Carrier
7. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker
8. M/T Maria	PNX – CSC	2012	Black / White Oil Carrier, Tanker
9. M/T Global Dominance	PNX – CSC	2016	Product Oil Tanker
10. M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
11. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker
12. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker
13. MV St. Nicholas of Myra*	PNX – CSC	1998	General Cargo
14. M/T Ernesto Uno*	MI	1979	White Oil, Chemical Tanker
15. M/T Jasaan*	MI	1990	Black Oil Carrier, Tanker
16. M/T BMI Patricia**	BMI	1981	Black Oil Carrier, Tanker - Conversion
17. MV Trans Asia 1****	Trans Asia	1980	Passenger Ship
18. MV Trans Asia 2	Trans Asia	1977	Passenger Ship
19. MV Trans Asia 3	Trans Asia	1989	Passenger Ship
20. MV Trans Asia 8	Oceanstar	1984	Passenger Ship
21. MV Trans Asia 10	Trans Asia	1979	Passenger Ship

Name of Vessel	Registered Owner	Year Built	Type
22. MV Asia Philippines*	Trans Asia	1975	Passenger Ship
23. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
24. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
25. MV Trans-Asia 21	Trans-Asia	2021	Passenger Ship
26. MV Trans Asia 12	Trans Asia	1998	Container Cargo Ship
27. MV Trans Asia 15	Trans Asia	1995	Container Cargo Ship
28. MV Trans-Asia 16*	Trans-Asia	1996	Container Cargo Ship
29. MV Trans-Asia 17*	Trans-Asia	1999	Container Cargo Ship
30. MV Asia Pacific	Trans Asia	1981	General Cargo Ship
31. M/Tugs Fortis I*	FTC	1994	Tugboat
32. M/Tugs Fortis II	FTC	1990	Tugboat
33. M/Tug Fortis III	FTC	1972	Tugboat
34. M/Tug Fortis V	FTC	1984	Tugboat
35. M/Tug Fortis VI	FTC	1989	Tugboat
36. M/Tug Fortis VII	FTC	1984	Tugboat
37. M/Tug Fortis VIII	FTC	1984	Tugboat
38. M/Tug Fortis IX*	FTC	2009	Tugboat
39. M/Tug Fortis X	FTC	1988	Tugboat
40. M/Tug Fortis XI*	FTC	1988	Contingency Assist Vessel
41. M/Tug Fortis XII	FTC	1988	Tugboat / Contingency Vessel
42. M/Tug Fortis XV	FTC	1987	Tugboat
43. M/Tug Samal	DGMS	1974	Tugboat
44. M/Tug Pindasan	DGMS	1981	Tugboat
45. M/Tug Sigaboy	DGMS	1971	Tugboat
46. M/Tug Orishima****	FTC	1988	Oil Pollution Collection Tugboat
47. M/Tug DavTug XI****	DGMS		Tugboat
48. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
49. MV Starlite Annapolis*	SFI	1982	Passenger and Cargo Ship
50. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship
51. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
52. MV Starlite Tamaraw	SFI	1981	Cargo Ship
53. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
54. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
55. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
56. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
57. MV Starlite Venus	SFI	2021	Passenger and Cargo Ship
58. Sprint 1	SFI	2019	Fastcraft
59. SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
60. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
61. MV Trans Asia 20 (TBN Starlite Phoenix)	SGFI	2019	Passenger and Cargo Ship
62. SWM Stella del Mar	SPFI	2018	Passenger and Cargo Ship

Name of Vessel	Registered Owner	Year Built	Type
63. St. Uriel	Supercat	1992	Passenger Ship
64. St. Sealthiel	Supercat	2000	Passenger Ship
65. St. Jhudiel	Supercat	1996	Passenger Ship
66. St. Braquel	Supercat	1996	Passenger Ship
67. St. Emmanuel	Supercat	1998	Passenger Ship
68. St. Camael	Supercat	2017	Passenger Ship
69. St. Sariel	Supercat	2017	Passenger Ship
70. St. Micah*	Supercat	1990	Passenger Ship

* On Drydock as of end December 2023

** For conversion to Water barge

*** On Laid-up status

**** Awaiting insurance survey

Except as indicated above, as of the date of this Annual Report, 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:

Secured Term Loans

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2023	2022 (As restated - see Note 2)
China Banking Corporation (CBC)		Real Estate Mortgage (REM), Continuing Suretyship, MT Chelsea Great Princess, MT Chelsea Charlize, MT Chelsea Resolute, MT Chelsea Enterprise, MT Chelsea Excellence, MT Chelsea Ernesto Uno, MT Chelsea Jasaan				
Development Bank of the Philippines (DBP)	(b.1)	Assignment of receivables	7 years	5.00%	P 1,926,396,728	P 1,926,396,728
		MT Chelsea Providence, MT Chelsea Cheryllyn, MV Starlite Stella Maris,				
Philippine Business Bank (PBB)	(f.4)	Corporate/Continuing Suretyship	15 years	5.00%	1,818,060,107	1,820,060,107
CBC	(c.2)	MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	823,893,366	855,856,717
	(b.3)	REM	15 years	7.25%	800,000,000	800,000,000
Amalgamated Investment Bancorporation (AIB)	(i)	Unsecured	9 years	6.48%	576,851,371	-
DBP	(f.3)	Trans - Asia 16, 17 and 18				
		Corporate/Continuing Suretyship	15 years	5.00%	549,807,588	549,807,588
PBB	(c.4)	MV Salve Regina	8 years	3.00% - 7.00%	467,888,754	491,555,017
DBP	(f.1)	Corporate/Continuing Suretyship				
		MV Pioneer, MV Reliance	15 years	5.00%	450,514,006	450,514,006
PBB	(c.1)	MT Chelsea Dominance				
		MT Chelsea Endurance	8 years	3.00% - 7.00%	442,696,689	442,696,689
Asia United Bank (AUB)	(d.2)	MTug Fortis I, MTug Fortis II MTug Fortis III, Mtug Fortis V MTug Fortis VI, Mtug Fortis VII MTug Fortis IX, Mtug Fortis X	6 years	4.00%	425,000,000	-
DBP	(f.2)	Corporate/Continuing Suretyship				
		MV St. Nicholas of Myra Assignment of receivables	15 years	5.00%	415,100,000	496,802,412
BDO Unibank, Inc. (BDO)	(a)	Trans - Asia 1, 8, 9 and 10, CV3 REM, Continuing suretyship	6 years	6.50%	383,548,077	386,207,130
PBB	(c.3)	MV Stella Del Mar	8 years	3.00% - 7.00%	314,848,713	331,727,800
DBP	(f.5)	Corporate/Continuing Suretyship				
		MV St. Camael and MV St. Saniel	15 years	5.00%	300,086,565	300,086,565
Mega International Commercial Bank Co. (MICBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
CTBC Bank (Philis) Inc. (CTBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Union Bank of the Philippines (UB)	(j)	Continuing Suretyship	9 years	3.00%	198,000,000	-
First Commercial Bank, Ltd. (FCB)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	165,000,000	165,000,000
CBC	(b.2)	Trans - Asia 2, 3, 5, 12 and 15	10 years	5.75%	161,393,098	162,407,407
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	105,074,977	105,074,977
PBB	(c.5)	Pledge of shares of stocks	8 years	11.00%	52,788,650	137,494,000
AUB	(d.1)	MTug Fortis IX, MTug Fortis X, Assignment of receivables	7 years	8.02%	23,049,963	30,190,922
AUB	(d.1)	MTug Fortis VI, MTug Fortis VII MTug Fortis VIII, Assignment of receivables	7 years	8.11%	20,845,468	31,269,933
AUB	(d.1)	MTug Fortis III and MTug Fortis V, Assignment of receivables	7 years	5.56%	7,613,562	18,083,329
Makabayan Holdings, Inc. (MHI)	(k)	Oroport Shares	6 months	5 to 15%	-	335,288,970
SH Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	-	105,225,000
					11,170,957,683	10,684,245,297
Net premium (discount) on loans payable					(175,743,178)	(66,005,034)
					P 10,995,214,505	P 10,618,240,263

Secured Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance	
				2023	2022
Landbank of the Philippines	MT Chelsea Intrepid MT BMI Patricia Assignment of receivables				
	Continuing suretyship	90 days	3.00 - 6.75%	P 1,327,834,768	P 1,336,460,600
Primary Institutional Lenders	MV TAZI and Pledge of shares	30 to 180 days	1.00 to 10.00%	608,109,693	1,422,956,791
CBC	Trans-asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	5.75%	500,000,000	500,000,000
PBB	Unsecured	180 days	7.50%	485,000,000	665,000,000
Pentacapital	Assignment of receivables	360 days	7.00%	209,678,517	210,970,653
UB	Continuing suretyship	360 days	4.50%	-	198,000,000
				P 3,130,622,977	P 4,333,388,044

III. 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:

a. Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City; (b) 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 ₱2,050,000 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 ₱15,921,666.67. 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.

Michael, Inc. filed its Formal Offer of Exhibits on March 16, 2000. PKI presented its VP for Finance and Administration on December 14, 2022. Pursuant to the Order dated June 19, 2023, Michael, Inc. filed its Memorandum in a draft Decision format. The case is now submitted for decision of the court.

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 ₱11,613,082.78, 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 ₱100,000 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 ₱380,000,000.00. 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 ₱801,000.00 for 4 deaths and ₱585,000.00 for 13 survivors or a total of ₱1,386,000.00. 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 ₱8,865,399.96 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 ₱8,839,313.95 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 ₱594,250.00. 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 ₱170,775.00 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 ₱200,000.00. To date, no Compromise Agreement has been reached yet with the last remaining Complainant.

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 ₱75,000.00 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 ₱1,050,000 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.

On March 9, 2022, Trans-Asia received the Decision of the Court of Appeals affirming the Decision of the Regional Trial Court (RTC) Branch 23, Cebu City. On March 24, 2022, Trans-Asia filed a Motion for Reconsideration, and on December 7, 2022, it received the Resolution of the Court of Appeals denying its Motion for Reconsideration. On December 19, 2022, Trans-Asia filed with the Supreme Court a

Motion for Single Extension to file a Petition for Review on Certiorari under Rule 45 of the Rules of Court. On January 20, 2023, Trans-Asia filed with the Supreme Court a Verified Petition for Review on Certiorari. While the case is pending in the Supreme Court, Trans-Asia informed the Complainant that Trans-Asia is willing to settle based on the judgment of the lower court in the amount of PhP1,050,000. However, the Complainant who expected a higher computation, opted to wait for the decision of the Supreme Court. On November 20, 2023, the Supreme Court denied Trans-Asia's Petition for Review on Certiorari and sustained the award of the lower court in the amount of PhP1,050,000, which Trans-Asia will pay.

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 ₱120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of ₱50,000,000. 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. The Regional Trial Court (Branch XI) of Cebu City, issued an Order on 14 July 2022 suspending the proceedings until the Stay Order is lifted or the case before the Insurance Commission is terminated.

PART II – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

I. 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 2023 are as follows:

	2023		2022		2021		2020		2019		2018	
Period	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1Q	1.17	1.13	1.61	1.56	3.28	3.17	5.89	1.91	7.2	5.59	9.79	7.00
2Q	1.05	1.03	1.39	1.32	3.14	3.08	4.29	2.49	8.74	5.08	8.56	6.45
3Q	1.26	1.23	1.36	1.25	2.22	2.13	4.65	4.01	9.36	6.22	7.76	5.43
4Q	1.50	1.46	1.2	1.15	1.67	1.6	5.39	5.1	7.18	4.73	9.77	4.4

As of August 5, 2024, the market capitalization of the Company, based on the closing price of ₱0.89 per share, was approximately ₱2.957 Billion.

II. Holders

The following are the top registered holders of the Company's securities based on the records as of December 31, 2023:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	67.134

PCD Nominee Corporation (Filipino)	528,315,567	27.809
Metropolitan Bank & Trust Company Trust Banking Group	68,636,000	3.613
PCD Nominee Corporation (Non-Filipino)	15,877,325	0.836
Metropolitan Bank & Trust Company Trust Banking Group	5,296,000	0.279
Name of Stockholders	Number of shares held	% to Total
Members of Board of Trustees of the Private Education	3,859,000	0.203
Caroline G. Taojo	800,000	0.042
Eggnest Property Corp.	770,000	0.041
Noe B. Taojo	400,000	0.021
Joaquin Chua	100,000	0.005
Elvira M. Cruz or Bernardo A. Cruz	100,000	0.005
Clive C. Kian	50,000	0.003
Rudy B. Manguiat or Mary Aileen C. Manguiat	50,000	0.003
Goldclass, Inc.	35,000	0.002
Jharna P. Chandnani	30,000	0.002
Christopher Vincent J. Kokseng or Mery Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	0.001
Carlos Catangue Chua	9,300	0.001
Rijohn R. Opon	9,300	0.001
Milagros P. Villanueva	7,300	0.000
Myrna P. Villanueva	7,300	0.000
Marietta V. Cabreza	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	1,899,768,615	100.000%

III. 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 since 2018.

IV. Submission of Matters to a Vote of Security Holders

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

At the May 9, 2023 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 2022 Audited Financial Statements and Annual Report; approval of the Minutes of the May 3, 2022 Annual Stockholders' Meeting; ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 9 February 2022 to 20 February 2023; approval of the amendment of the By-Laws of the Corporation, specifically Article II, Section 1 – change in the date of the Annual Stockholders' Meeting and Article IV, Section 7 – creation of the Office of the Chief Financial Officer and transfer of some of the functions of the Treasurer to the Chief Financial Officer; election of the members of the Board of Directors; and appointment of the External Auditor of the Company.

V. Recent Sale of Securities

On September 20, 2022, the Corporation executed a Subscription and Debt Conversion Agreement with The Members of the Board of Trustees of the Private Education Retirement Annuity Association (PERAA), and on September 5, 2023 the Corporation executed Subscription and Debt Conversion Agreements with Metropolitan Bank & Trust Company – Trust Banking Group (MBTC), as part of the Corporation's liability management exercise for restructuring of its outstanding loans and obligations. Pursuant to these Subscription Agreements, the total shares of the Corporation issued to PERAA was 3,859,000 while 73,932,000 shares of the Corporation were issued to MBTC. The shares were issued to MBTC on October 5, 2023 and to PERAA on October 12, 2023.

PART III – FINANCIAL INFORMATION

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the Three Years in the Period Ended December 31, 2023, 2022 and 2021 are attached hereto as **Annex A**.

II. Information on Independent Accountant and Other Related Matters

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, 2023 and 2022 in accordance with the Philippine Standards on Auditing.

P&A has acted as CLIHC's external auditor since incorporation. Mary Grace A. Punay is the assigned audit partner for 2023. 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.

Isla Lipana & Co. will be recommended for appointment at the scheduled Annual Stockholders' Meeting. Representatives of P&A and Isla Lipana are expected to attend 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.

	2023	2022	2021	2020
Audit Fees	₱8,000,000	₱4,500,000	₱4,500,000	₱4,500,000

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.

III. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2023 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

IV. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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.

PART IV – CONTROL AND COMPENSATION INFORMATION

I. Directors and Executive Officers of the Issuer

1. Board of Directors

The incumbent members of the Board of Directors of the Company are as follows:

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	50	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	50	Filipino
Director/Treasurer	Cherylyn C. Uy	44	Filipino
Director	Arthur Kenneth L. Sy	56	Filipino
Director	Efren E. Uy	62	Filipino
Director	Eduardo A. Bangayan	72	Filipino
Independent Director	Miguel Rene A. Dominguez	47	Filipino
Independent Director	Jesus S. Guevara II	69	Filipino

Below is a summary of their qualifications:

Dennis A. Uy

Chairman

Dennis A. Uy, Filipino, 50 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 the Chairman and CEO of Udenna Corporation, the ultimate parent company of PPPI and CLIHC. He is also the Chairman of DITO CME Holdings Corp. (formerly ISM Communications Corporation), Udenna Land Inc., Le Penseur Inc., PH Resorts Group Holdings, Inc., and Udenna Management & Resources Corp. and its subsidiaries. Mr. Uy is also the Chairman of Phoenix Philippines Foundation and of 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, 50 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 President of Chelsea Shipping Corp. and its subsidiaries namely PNX-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, 44 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. She is also a Director of PH Resorts Group Holdings, Inc., an Executive Director of Phoenix Philippines Foundation, Inc. and President of the Udenna Foundation. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business and Finance.

Arthur Kenneth L. Sy

Director

Arthur Kenneth L. Sy, Filipino, 56 years old, has been a Director of CLIHC since March 27, 2017. He serves as Co-Chairman of Trans-Asia Shipping Lines, Incorporated, and currently the President and CEO of Sybu Real Estate Corporation and Director of Big Hub Transport & Logistics Corp., Dynamic Cuisine, Inc., Starsy Shoppe, Inc., Star Maritima Port and Allied Services, Inc., Oceanstar Shipping Corporation, and Quality Metal and Shipworks Inc. 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, 62 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, 72 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. 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 1993 and re-appointed in January 2023 with a term until 2028, and a member of the Philippine Association of Water Districts (PAWD) Board of Governors. He has served as a Director of the Rural Bank of Tagum from 2015 until present, as well as a member of the Board of Governors of the Philippine National Red Cross. He has a degree in Bachelor of Science in Business Administration from Silliman University and currently serves on the Board of Trustees representing the Alumni for a term up to July 31, 2027. He continues to serve as a pillar in the country's business sector by serving as Regional Director of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. in Southern Mindanao from 2017 to present.

Miguel Rene A. Dominguez

Independent Director

Miguel Rene A. Dominguez, Filipino, 47 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 Alsons Dev't & Investment Corp., and Trustee of Philippine Business for Social Progress, Philippine Business for Education and Synergeia Foundation, and President of the General Santos City Chamber of Commerce, and Chairman of the Eisenhower Fellowships Association of the Philippines. He served as Chairman of the Regional Peace and Order Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011), Chairman of Regional Development Council of Region 12 (2007-2010) and Vice Chairman of Galing Pook Foundation (2014-2016). 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 and a Master's Degree in Public Administration from Harvard University's Kennedy School.

Jesus S. Guevara II

Independent Director

Jesus S. Guevara II, Filipino, 69 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 is at present the Chairman of the Board of Phividec Industrial Authority. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master's Degree in Industrial Relations.

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.	Chairman and Chief Strategy Officer
	2Go Group, Inc.	Chairman of the Board
	PH Resorts Group Holdings, Inc.	Chairman of the Board
	Dito CME Holdings Corp.	Chairman of the Board
	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
	Dito CME Holdings Corp.	Director
Eduardo A. Bangayan	Manila Mining Corporation	Independent Director

1. Executive Officers

The incumbent Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
President & CEO	Chryss Alfonsus V. Damuy	50	Filipino
Treasurer	Cherylyn C. Uy	44	Filipino
Chief Financial Officer	Ignacia S. Braga IV	58	Filipino
Deputy Financial Officer / Treasury Head	Reynaldo A. Phala	57	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	62	Filipino
Finance Controller	Darlene A. Binay	51	Filipino
Compliance Officer	Leandro E. Abarquez	40	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	51	Filipino

Below is a summary of their business experience:

Ignacia S. Braga IV **Chief Financial Officer**

Filipino, 58 years old, is the Chief Financial Officer of CLIHC. She is also the Vice President for Finance of Udenna Corporation, 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.

Reynaldo A. Phala **Deputy Chief Financial Officer / Treasury Head**

Filipino, 57 years old, is the Vice President for Treasury and Deputy CFO. He joined the Company in April 2020 after spending 12 years with an affiliate company as AVP for Treasury. He led a progressive

banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He obtained his MBA degree conferred by the Ateneo de Manila University and Regis University, Denver, Colorado, USA in 2013 and his Diploma in Corporate Finance in 2018 from the Ateneo Graduate School of Business. He also attended executive courses at Harvard Law School in 2019.

Ma. Henedina V. San Juan

Corporate Secretary and Assistant Vice President for Legal and Corporate Affairs

Filipino, 62 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.

Darlene A. Binay

Finance Controller

Filipino, 51 years old, is the Finance Controller of the Company. Prior to joining CLIHC, she was formerly the VP – Finance of Philippine Span Asia Carrier Corp. and AVP – Cluster Finance and Accounting of Magsaysay Shipping and Logistics Group (National Marine Corporation). She also served as Group Accounting Head of Roxas Holdings, Inc. and Subsidiaries. She was also an Assurance Senior Associate of Joaquin Cunanan & Co. (now Isla Lipana and Co), a Price Waterhouse Coppers member firm. She is a Certified Public Accountant and has a degree in B.S. Accountancy from St. Paul College Quezon City.

Leandro E. Abarquez

Compliance Officer

Filipino, 40 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, 51 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.

Period of Service in the Company

Name of Executive Officer	Period of Service
Ignacia S. Braga IV	Since incorporation to present
Reynaldo A. Phala	April 15, 2020 to present
Ma. Henedina V. San Juan	Since incorporation to present
Darlene A. Binay	January 4, 2021 to present

Name of Executive Officer	Period of Service
Leandro E. Abarquez	April 3, 2017 to present
Maria Katherine A. Agbay	December 5, 2017 to present

2. Family Relationships

There are no other 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 Co-Chairman) and Sheila Fay U. Sy (Trans-Asia Shipping General Manager - Interport)

3. 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 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 ₱800,003,070.51 in connection with the said purchase of shares; and, (b) LWUA's deposit and/or capital infusion of the ₱400,000,000.00 and deposit of ₱300,000,000.00 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. Banyagan 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.

2. *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 Annual Report 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 material legal cases as far as records of the Company are concerned.

II. Executive Compensation

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 are elected for a period of one (1) year. The Company pays its non-executive Directors a per diem of ₱30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

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

Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2023			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV	President & CEO Treasurer Chief Financial Officer	20.01	0.29	7.33	27.63
All other officers as a group unnamed		16.45		2.58	19.77
Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2022			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV	President & CEO Treasurer Chief Financial Officer	15.92	0.18	6.66	22.75
All other officers as a group unnamed		15.99		2.34	18.34
Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2021			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV Raul L. Quisumbing	President & CEO Treasurer Chief Financial Officer Vice President – Marketing & Port Operations	25.07	0.18	6.90	32.14
All other officers as a group unnamed		19.19	0.2	3.8	23.19

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.
- 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 first approved by the Board of Directors on February 13, 2019 and by the Stockholders of the Corporation on March 15, 2019. An Amended ESOP was approved by the Board of Directors of the Corporation at its March 29, 2022 meeting, and by the Stockholders on May 3, 2022.

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 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 5 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.

In 2022, the Company amended the subscription price of the stock options to Php 3.99 and the exercise periods to the first five (5) trading days of September of every year.

As of December 31, 2023, 2022 and 2021, 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 been exercised as at December 31, 2023, 2022 and 2021.

The fair value of the option granted was estimated using binomial option pricing model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below:

Grant date	:	May 15, 2019
Vesting period ends	:	May 15, 2024
Option life	:	Five years
Share price at grant date	:	P6.05
Amended exercise price	:	P3.99
Original exercise price at grant date	:	P6.28
Average fair value at grant date	:	P3.16
Average standard deviation of share price returns	:	51.28%
Average risk-free investment rates	:	6.14%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

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

Options Held by Directors and Officers						
Name	Option Granted	2020	2021	2022	2023	2024
CEO and Most Highly Compensated Executive Officers	6,983,813	662,593	598,771	598,771	598,771	598,771
All other Officers of the Company	1,594,510	112,759	83,728	83,728	83,728	83,728

As of December 31, 2023, none of these options have been exercised.

The Employee Stock Option Plan, as amended, was submitted to the Securities and Exchange Commission for approval on December 27, 2022.

III. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Records and Beneficial Owners as of December 31, 2023

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	1,650,384,606	72.55%
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	528,315,567	27.80%

**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 528,315,567 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, 2023, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities. Of the increase in the authorized capital stock of the Corporation from Two Billion Pesos (₱2,000,000,000.00) to Three Billion Five Hundred Million Pesos (₱3,500,000,000.00), which was approved by the Securities and Exchange Commission on April 4, 2022, Udenna Corporation subscribed to 375,000,000 additional shares, which are not yet recorded in the books of the Corporation's Stock Transfer as the shares are not yet fully-paid.

As of December 31, 2023, 0.8373% or 15,907,325 Common Shares are owned by foreign stockholders.

2. Security ownership of Directors and Management as of December 31, 2023

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	215,501 770,234,496	.01% 33.86%
Common	Cherylyn C. Uy	Filipino	Direct Indirect	1 219,996,268	NIL 9.67%
Common	Chryss Alfonsus V. Damuy	Filipino	Direct	1,668,000	0.04%
Common	Eduardo A. Bangayan	Filipino	Direct	70,001	NIL
Common	Miguel Rene A. Dominguez	Filipino	Direct	1	NIL
Common	Jesus S. Guevara II	Filipino	Direct Indirect	1 100,000	NIL 0.01%
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	0.01%
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	Reynaldo A. Phala	Filipino	N/A	NIL	NIL
Common	Darlene A. Binay	Filipino	N/A	NIL	NIL
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	NIL
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				993,611,571	43.67%

As of December 31, 2023, Directors and Executive Officers of the Company owned an aggregate of 993,611,571 shares of the Company, equivalent to 43.67% of the Company's total issued and outstanding shares.

3. 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.

4. 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. Certain Relationships and Related Transaction

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, 2023 and 2022 and the related outstanding balances as of December 31, 2023 and 2022 is presented below.

Related Party Category	Notes	Amounts of Transactions				Outstanding Balances	
		2022		2021		2022	
		2023	As restated - see Note 2.1(b)	As restated - see Note 2.1(b)		2023	As restated - see Note 2.1(b)
Parent —							
Cash advances granted	19.4	P 4,338,633	(P 21,936,541)	P 6,554,331,342	P	7,117,460,312	P 7,113,121,679
Associate —							
Sale of Dito	10, 19.4	-	-	-		271,874,967	271,874,967
Related parties under common ownership:							
Chartering of services rendered	19.1	9,881,618	109,987,271	157,377,291		64,184,585	73,199,255
Fuel purchases	19.2	308,319,152	787,617,140	1,217,534,299	(	2,918,883,787	(2,762,971,463)
Acquisition of CSC's shares	19.6	-	-	-	(	500,000,000	(500,000,000)
Rental expense	19.3	1,025,325	1,504,479	1,817,124	(	3,420,866	(4,190,152)
Donation	19.9(b)	-	-	270,000	(	-	( 360,000)
Cash advances granted	19.4	-	17,291,343	245,528,345		86,032,238	86,058,666
Cash advances obtained	19.4	(25,490,390)	71,198,734	140,384,270	(	504,000,000	(529,490,390)
Right-of-use assets	9, 19.7	(16,656,541)	(12,492,405)	(12,492,405)		9,716,315	26,372,856
Lease liabilities	12.4, 19.7	17,220,905	12,708,552	7,293,655	(	8,956,841	(26,177,746)
Stockholders —							
Cash advances granted	19.4	2,661,432	-	-		150,885,270	148,223,838
Key management personnel —							
Compensation and benefits	21.8	43,978,811	42,670,026	55,335,632	-	-	-

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.

Charter Fees

The Group entered into chartering agreements with PPPI, a related party under common ownership, 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 under the Revenues section of the Consolidated Statements of Profit or Loss. The Related Outstanding Receivable as of December 31, 2023 and 2022 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, 2023 and 2022 based on Management's assessment.

Fuel Purchases

The Group purchases fuel and lubricants 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 P86.7 Million and P96.2 Million as of December 31, 2023 and 2022, respectively, are included as part of the Inventories account in the Consolidated Statements of Financial Position (see Note 6). The outstanding liabilities, 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, 2023 and 2022 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).

Rentals

The Group entered into a one-year contract of lease covering vehicles with Valueleases, Inc., a related party under common ownership, renewable at the end of the lease term upon mutual agreement of the parties. Related expense is presented as part of Rentals under Cost of Sales and Services in the Consolidated Statements of Profit or Loss (see Notes 14 and 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 Note 11).

Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, non-interest-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, 2023 and 2022, 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 2023, 2022 and 2021 are as follows:

	Parent Company	Associate	Related Parties under common Ownership	Stockholders	Total
December 31, 2023					
Balance at beginning of year	P 7,113,121,679	P 271,874,967	P 86,058,666	P 148,223,838	P 7,619,279,150
Advances	4,338,633	-	-	-	4,338,633
Collections	-	-	(26,428)	2,661,432	2,635,004
Balance at end of year	<u>P 7,117,460,312</u>	<u>P 271,874,967</u>	<u>P 86,032,238</u>	<u>P 150,885,270</u>	<u>P 7,626,252,787</u>
December 31, 2022					
Balance at beginning of year	P 7,406,704,900	P 271,874,967	P 115,930,575	P -	P 7,794,510,442
Advances	-	-	-	148,223,838	148,223,838
Collections	(293,583,221)	-	(29,871,909)	-	(323,455,130)
Balance at end of year	<u>P 7,113,121,679</u>	<u>P 271,874,967</u>	<u>P 86,058,666</u>	<u>P 148,223,838</u>	<u>P 7,619,279,150</u>
December 31, 2021					
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P -	P 1,400,594,810
Offsetting against sales proceeds	6,550,275,167	-	-	-	6,550,275,167
Collections	(123,948,969)	-	(32,410,566)	-	(156,359,535)
Balance at end of year	<u>P 7,406,704,900</u>	<u>P 271,874,967</u>	<u>P 115,930,575</u>	<u>P -</u>	<u>P 7,794,510,442</u>

Based on Management's assessment, no impairment loss is recognized in 2023, 2022 and 2021 related to the Advances granted to Related Parties (see Note 25.2).

The movement in the Advances from Related Parties account in 2023, 2022 and 2021 follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 529,490,390	P 624,023,838	P 587,784,015
Cash flow from financing activities:			
Repayments	(25,490,390)	(94,533,448)	-
Proceeds	-	-	36,239,823
Balance at end of year	<u>P 504,000,000</u>	<u>P 529,490,390</u>	<u>P 624,023,838</u>

In addition, the following table presents the outstanding balance of advances to officers and employees of the Company as of December 31, 2023 and 2022:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Advances to officers and employees	₱ 28,968,999	₱ 25,843,967

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

V. Ownership structure and parent company

As of December 31, 2023, Udenna Corporation owns 72.55% of the outstanding shares of the Company.

VI. Resignation of Directors

Since the organizational meeting of the Company on May 9, 2023, 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.

PART V – 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.

Compliance with Corporate Governance Manual

The Company strives to fully comply with its Corporate Governance Manual. To date, the Company's compliance is not measured by weight program nor by a grading system. The Company's compliance with its Corporate Governance Manual, however, is manually examined against the adopted written principles.

In August 2018, in pursuance of its commitment to adopt leading corporate governance practices, Company with the approval of its Board of Directors adopted four (4) Board Committee Charters, namely: (i) Board Risk Oversight Committee Charter, (ii) Corporate Governance Committee Charter, (iii) Audit Committee Charter; and (iv) Related Party Transactions Committee Charter.

Further, on the same year, the members of the Audit Committee were also changed to adopt the corporate governance recommendation that the Audit Committee be composed of at least three (3) Independent Directors, including the Chairman of the Committee.

Similarly, in October 2018, the re-designing and re-development of the Company's website was completed in order to conform to the mandatory website contents of the Philippine Securities and Exchange Commission and Philippine Stock Exchange (PSE). All Company disclosures made through the PSE Edge System are mirrored in the Company website. The Company charters, policies and manual for various activities and processes are also available on the Company website.

Corporate Governance Outlook

In 2019, in order to improve on the corporate governance practices of the Company, a Committee was created to formulate governance related policies, including the Code of Business Conduct and Ethics, Insider Trading Policy and Policy on Conflict of Interest.

In addition, the Company has rolled out its Amended Employee Stock Option Plan, as approved during the Annual Stockholders' Meeting held on May 3, 2022. This will form part of the Company's program in recognizing and rewarding the performance of its employees beyond short-term financial measures. The implementation of this program is currently in process.

The Company shall endeavor to adopt and implement more leading corporate governance practices in the future.

PART VI – EXHIBITS AND SCHEDULES

I. Exhibits and Reports on SEC Form 17-A

Annex A: Management’s Discussion & Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2023, 2022 and 2021

Annex B: Statement of Management’s Responsibility for Consolidated Financial Statements and Audited Consolidated Financial Statements

Annex C: Sustainability Report

II. Signatures

MANAGEMENT REPORT

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

Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries' (CLIHC or the Group) Discussion and Analysis provides an overview of the Group's financial activities for the year ended December 31, 2023 and 2022, as restated. The following discussions should be read in conjunction with the attached Audited Consolidated Financial Statements of the Group as of December 31, 2023 and 2022, as restated.

Comparable discussion on Material Changes in Results of Operations for the period ending December 31, 2023 and 2022, as restated.

Amounts in millions (Php)	December 31					
	2023	%Rev	2022 as restated	%Rev	% Change	
Revenues	P 7,048	100%	P 6,433	100%	10%	
Cost of sales and services	5,598	79%	5,642	88%	(1%)	
Gross Profit	1,449	21%	791	12%	83%	
Other operating expenses	1,398	20%	1,114	17%	25%	
Provision for expected credit losses	95	1%	42	1%	128%	
Operating loss	(44)	(1%)	(365)	(6%)	(88%)	
Finance cost, net	(1,258)	(18%)	(1,381)	(21%)	(9%)	
Other charges (income) - net	254	4%	(729)	(11%)	(135%)	
Loss before tax	(1,047)	(15%)	(2,475)	(38%)	(58%)	
Tax expense	96	1%	57	1%	69%	
Net loss after tax	(P 1,143)	(16%)	(P 2,531)	(39%)	(55%)	
Add Back:						
Tax expense (income)	96	1%	57	1%	69%	
Depreciation and amortization	1,353	19%	1,256	20%	8%	
Interest expense	1,227	17%	1,256	20%	(2%)	
Impairment losses on property and equipment	16	0%	624	10%	(97%)	
Loss on sale of property and equipment	161	2%	(3)	(0%)	(5678%)	
Impairment loss on investment	81	1%	233	4%	(65%)	
Gain on debt modification	(242)	(3%)	(134)	(2%)	80%	
Unrealized foreign currency exchange losses	(10)	(0%)	125	2%	(108%)	
Impairment loss on goodwill	-		64	1%	(100%)	
Provision for expected credit losses	95	1%	42	1%	128%	
Share option benefit expense	8	0%	19	0%	(55%)	
Gain on pretermination of lease liability	(6)	(0%)	-	0%	100%	
Gain on sale of an associate	(96)	(1%)	-	0%	100%	
Share in net income from associate	-	0%	(15)	(0%)	(100%)	
Interest Income	(1)	(0%)	(4)	(0%)	(71%)	
Adjusted EBITDA	P 1,541	22%	P 987	15%	56%	

The Group had a revenue growth of 10% in 2023, surpassing the pre-pandemic 2019 performance, and posted an all-time high from 2017 Revenue of ₱7.048 Billion. The Passage and Freight segments of the Group continued to

make progress in 2023 and delivered increases in revenues by 50% and 3%, respectively. These improvements in revenues were in part driven by the increase in average rates to cover the rising fuel prices in the early part of the year. With COVID-19 restrictions almost entirely relieved in 2023, passengers carried by our three (3) shipping lines increased by 44%, and the number of trips likewise went up by 14% in the current year.

Consolidated Gross Profit increased to ₱1.449 Billion from the prior year for a 21% margin, driven by improvements in revenues and the unparalleled reduction in total direct costs in 2023. Additional vessels were brought back to trading status this year which reduced Fixed Costs' impact on margins.

As a result, the Group posted a considerable reduction in Consolidated Loss from Operations of ₱44 Million in 2023 from a loss of ₱365 Million in 2022, or an 88% decrease, driven by solid topline growth across our major subsidiaries. Group-wide cost containment initiatives helped mitigate other operating costs despite increased business requirements, but the vessel availability issues still pulled down overall growth. Likewise, additional provision of ₱95 Million on Expected Credit Loss this period was provided to uplift the coverage and to closely monitor asset quality.

The Group's Liability Management Exercise (LME) resulted to a reduction of 9% in the consolidated finance costs to ₱1.258 Billion in the current year. Loans restructured in 2023 generated a gain of ₱242 Million on debt modification, 80% higher from 2022.

Also, during the year, the Group recognized a one-off Gain on Sale of Investment in Associate amounting to ₱96 Million and a Gain on Pre-termination of Lease Liability amounting to ₱6 Million. Likewise, foreign currency transactions in the current year gave rise to net unrealized foreign currency exchange gain of ₱10 Million, a turn around from a loss taken up amounting to ₱125 Million in previous year.

Certain vessels of the Group were impaired this year amounting to ₱16 Million Impairment Losses on Property and Equipment, a 97% reduction from last year which includes loss taken up on MV TransAsia 1 which caught fire in 2022. In addition, the Group disposed two (2) freighter vessels in 2023 and recognized a total Net Loss on Sale of Property and Equipment of ₱161 Million.

In 2023, a non-cash Impairment Loss on Investment in a joint venture was recognized amounting to ₱81 Million, while the Group took up Impairment Loss on Investment Property in 2022 amounting to ₱233 Million which pertained to the cost of construction project of a warehouse terminated last year.

Further, the Group took up Share Option Benefit Expense of ₱8 Million in 2023, a decrease from ₱19 Million booked in 2022.

The Goodwill from the acquisition of Michael, Inc. was determined to be unrecoverable in 2022. An Impairment Loss on Goodwill was taken up amounting to ₱64 Million last year and at NIL in 2023.

The Group's Consolidated Net Loss After Tax amounted to ₱1.143 Billion, reflecting the effect of high finance cost. This was a significant reduction of 55% from prior period's Consolidated Net Loss of ₱2.531 Billion.

The Consolidated Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) posted at ₱1.541 Billion in 2023, a 56% significant increase from ₱987 Million in 2022.

Loss per Basic and Diluted Share this year is ₱0.587, a 56% improvement from last year's ₱1.343 loss per share.

Financial Condition

December 31, 2023 and 2022

Amounts in millions		2023		2022	% Change
Current Assets	P	10,946	P	10,668	3%
Non-Current Assets		22,005		22,618	(3%)
Total Assets	P	32,951	P	33,286	(1%)
Current Liabilities	P	15,057	P	16,747	(10%)
Non-Current Liabilities		13,990		12,812	9%
Total Liabilities	P	29,047	P	29,558	(2%)
Total Equity	P	3,904	P	3,727	5%
Total Liabilities and Equity	P	32,951	P	33,286	(1%)

The Group's financial condition remained sound. As a result of the Group's LME, certain restructured loans were reclassified from current to non-current interest-bearing loans, hence the 10% decrease in Current Liabilities and 9% increase in the Non-Current Liabilities in 2023. Further, in October 2023, the Group entered into a Subscription and Debt Conversion Agreement with certain private institutional lenders to pay its outstanding loan amounting to ₱233 Million through issuance of 77,791,000 shares of the Company. Additional paid-in capital was recognized amounting to ₱156 Million, increasing total Equity by 5%.

Book value per share posted at ₱1.82, down by 7% from ₱1.95 in 2022.

Restatements of Results of Operations and Financial Condition

December 31, 2022 and January 1, 2022

In 2023, the Group made specific retrospective adjustments of certain accounts in the 2022 and 2021 Consolidated Financial Statements.

These prior period adjustments were taken due to the following:

- Error related to the omission of the investment in an associate acquired in 2021 and interest-bearing loan that was obtained in 2021 and its related interest expense;
- Reclassification of certain loan previously presented as part of non-current portion to current portion under Interest-bearing Loans and Borrowings; and,
- Error related to the non-recording of advances from related party to settle an outstanding term loan of a subsidiary in 2021.

The affected accounts in the books of an associate, Investment and Interest-bearing loans were identified to be understated in 2021 when the said investment was made and the corresponding loans were incurred, and were due to error related to omission.

The recording of 2021 investment, interest-bearing loans, and advances from related party resulted to the net change in Assets of ₱340 Million and net change in Liabilities of ₱383 Million, respectively, and were reflected in the third Consolidated Statement of Financial Position as of January 1, 2022. Likewise, the corresponding share in Net Income of Associates and Finance Cost during the year were shown in the restated Consolidated Statements of Profit and Loss. This resulted to a net reduction to Net Profit of ₱1.7 Million.

ANNEX A

In 2022, the retrospective adjustments for the Investment Account amounted to ₱15 Million due to share in Net Income of Associates for the year and for the Liabilities, ₱47 Million in accrued interest was recorded. The same adjustments impacted Consolidated Statements of Profit and Loss for the year.

These changes resulted to an Adjusted Loss per Share, basic and diluted in 2021 of ₱2.142 from ₱2.143. While in 2022, Loss per Share amounted to ₱1.343 from ₱1.341 Loss per Share.

These restatements have zero net impact on Cash from Operating Activities in the Consolidated Statements of Cash Flows for the years ended December 31, 2022 and 2021.

These retrospective adjustments are less than 1% of the original consolidated Total Assets for both years.

Comparable discussion on Material Changes in Results of Operations for the period ending December 31, 2022 and 2021, as restated.

Amounts in millions (Php)	December 31						
		2022 as restated	%Rev		2021 as restated	%Rev	% Change
Revenues	P	6,433	100%	P	4,469	100%	44%
Cost of sales and services		5,642	88%		4,904	110%	15%
Gross Profit		791	12% (		435)	(10%)	(282%)
Other operating expenses		1,114	17%		1,094	24%	2%
Provision for expected credit losses		42	1%		396	9%	(89%)
Operating loss	(	365)	(6%) (		1,926)	(43%)	(81%)
Finance cost, net	(	1,381)	(21%) (		1,432)	(32%)	(4%)
Other charges (income) - net	(	729)	(11%) (		611)	(14%)	19%
Loss before tax	(	2,475)	(38%) (		3,969)	(89%)	(38%)
Tax expense		57	1% (		65)	(1%)	(187%)
Net loss after tax	(P	2,531)	(39%) (	P	3,904)	(87%)	(35%)
Add Back:							
Tax expense (income)		57	1% (		65)	(1%)	(187%)
Depreciation and amortization		1,256	20%		1,484	33%	(15%)
Interest expense		1,256	20%		1,410	32%	(11%)
Impairment losses on property and equipment		624	10%		71	2%	779%
Loss (Gain) on sale of property and equipment	(	3)	(0%)		496	11%	(101%)
Impairment loss on investment		233	4%	-		0%	100%
Gain on debt modification	(	134)	(2%)	-		0%	100%
Unrealized foreign currency exchange losses		125	2%		13	0%	863%
Impairment loss on goodwill		64	1%		10	0%	516%
Gain on sale of an asset held for sale	-		0% (		145)	(3%)	(100%)
Gain on redemption of preferred shares	-		0% (		355)	(8%)	(100%)
Provision for expected credit losses		42	1%		396	9%	(89%)
Share option benefit expense		19	0%		6	0%	216%
Gain on pretermination of lease liability	-		0% (		313)	(7%)	100%
Share in net loss (income) from associate	(	15)	(0%)		887	20%	(102%)
Interest Income	(	4)	(0%) (		1)	(0%)	503%
Adjusted EBITDA	P	987	15% (	P	8)	(0%)	(11725%)

The COVID-19 pandemic and containment actions implemented by the Philippine Government upset domestic activity and trade. Although most containment measures have been relaxed and businesses have re-opened, as of December 31, 2022, there is still the risk of new variants of the virus. In addition, at the start of 2022, the escalating geopolitical tensions in Europe caused by the Russian-Ukraine conflict, produced cascading effects on the world economy already battered by the pandemic. This caused an unprecedented increase in fuel prices that hit oil-exporting developing countries like the Philippines.

The double blow of the lingering effects of COVID-19 outbreak and the rising fuel prices hampered the anticipated economic and business recovery of the Group during the year.

Nevertheless, CLIHC and subsidiaries reported a 35% reduction in its Consolidated Net Loss after Tax posting ₱2,531 Million in 2022 from ₱3,904 Million in 2021.

The substantial improvement in the Group's consolidated revenues alleviated the effects of the pandemic and rising fuel prices. The Group achieved an increase in consolidated revenues by 44% to ₱6,433 Million in the current year primarily driven by the improvement in revenue performance of all business segments with the abatement of most of the containment restrictions implemented during the COVID-19 pandemic. The relaxation of containment restrictions allowed businesses to re-open, which increased the movement of goods and passenger volume during the year.

Passage revenue rose to ₱1,225 Million, up by more than 3x year on year from ₱293 Million in 2021, which is attributable to higher passage volume as well as rates. Passenger volume surged by 174% to 1,874,301 passengers during the period. Likewise, passage-related Sale of Goods segment grew by 137% to ₱115 Million. Freight revenue continued to grow, posting a 24% escalation to ₱3,383 Million this year. The Chartering and Tugboat segments of the Group, each contributed 30% growth in the topline, and generated ₱718 Million and ₱424 Million in current revenues, respectively. The positive results of the Shipping segment were attained despite vessel availability issues which was countered by deploying vessels to profitable routes, and by managing the drydock schedules of vessels to ensure their immediate return to trading. Moreover, the Logistics segment provided a 7% increase year on year to ₱552 Million. The increase in Vessel, Truck and Warehouse Utilization lessened the negative impact of rising fuel prices in 2022.

The Group continues to implement cost containment measures. Direct Cost Ratio to Revenues was reduced to 88% in the current year from 110% in the prior year. The increase in Consolidated Direct Costs was only 15% this year.

The significant growth in the topline, coupled with the conscientious efforts to manage cost and the increased utilization of profit-generating assets, helped the Group in reversing its negative Gross Margin of 10% in 2021 to a Gross Profit Margin of 12% in 2022.

The Group thoroughly considered and set aside the expected credit loss this period of P42 Million in addition to P396 Million provided in 2021 to uplift the coverage as well as to closely monitor asset quality.

As a result of the measures taken by the Group, Consolidated Operating Loss was significantly reduced to ₱365 Million or by 81% from ₱1,926 Million for the same period last year.

The Group's Finance cost was ₱1,381 Million, a 4% decrease from prior year of ₱1,432 Million with the loan restructuring secured by the Group.

Share in Net income of P15 Million was taken up this year, a reversal from loss of P887 Million incurred in 2021.

Net Other Income in the period amounted to ₱729 Million from last year's ₱611 Million and comprised the following loss (income) items:

In 2022, part of the Group's loans was restructured generating gain of ₱134 Million on debt modification.

Certain vessels of the Group were impaired during the year amounting to ₱624 Million which includes loss taken up on MV TransAsia 1 which caught fire in 2022 compared to ₱71 Million in 2021.

Impairment loss on investment property of the Group amounted to ₱233 Million pertaining to the cost of construction project of a warehouse terminated during the year.

On March 18, 2021, CLIHC entered into a Share Purchase Agreement (SPA) with a third party for the sale of its investments in 2GO Group, Inc. In May and June 2021, the sale of investments was executed with total consideration of ₱7,460 Million, in which the Group recognized a Gain on Sale of an Asset Held for Sale amounting to ₱154 Million.

On August 19, 2021, The Supercat Fast Ferry Corp. (SFFC) sold MV Supercat 36 for a total consideration of ₱2.5 Million, in which SFFC recognized a Loss on Sale amounting to ₱9.4 Million.

In 2021, CLIHC acquired the Redeemable Preferred Shares from a previous holder for a total consideration of ₱875 Million and recognized a Gain on Redemption amounting to ₱355 Million.

The Goodwill from the acquisition of Michael, Inc. (MI) and Bunkers Manila, Inc. (BMI) was determined to be unrecoverable and an Impairment Loss was taken up, amounting to ₱64 Million in 2022 and ₱10 Million in 2021, respectively.

Gain was recognized relative to the termination of a Time Charter contract amounting to ₱313 Million in 2021.

In 2021, certain vessels and vessel equipment were sold to third parties for a total consideration of ₱358 Million and a Loss on Sale amounting to ₱355 Million was recognized. Also, a floating dock was sold in the same year for the amount of ₱232 Million and a Loss on Sale amounting to ₱141 Million was recognized. Total Loss on sale of vessels and equipment totaled ₱496 Million during the year.

Unrealized foreign currency exchange losses this year amounted to ₱125 Million, a significant surge from ₱13 Million taken up in 2021. Share option benefit recorded this year amounted to ₱19 Million from ₱6 Million in prior year.

The Group's overall financial performance during the year translates to a ₱1.343 Loss per Basic and Diluted Share, an improvement from ₱2.142 loss in the same period in 2021.

The Group posted adjusted EBITDA of ₱987 Million, a reversal from the adjusted negative EBITDA of ₱8 Million in 2021, substantially due to reduction in Net Losses of the Group year on year.

Financial Condition

December 31, 2022 versus December 31, 2021, as restated

Amounts in millions		2022		2021	% Change
Current Assets	P	10,668	P	11,038	(3%)
Non-Current Assets		22,618		23,425	(3%)
Total Assets	P	33,286	P	34,463	(3%)
Current Liabilities	P	16,747	P	16,614	1%
Non-Current Liabilities		12,812		12,242	5%
Total Liabilities	P	29,558	P	28,856	2%
Total Equity	P	3,727	P	5,607	(34%)
Total Liabilities and Equity	P	33,286	P	34,463	(3%)

The Group's Financial Condition during both periods is almost the same. However, the total Equity of the Group decreased by 34% to ₱3,727 Million against the ₱5,607 Million last year. This was due to additional losses this year

amounting to ₱2,531 Million which were offset by additional equity on the collection of subscription receivable from the parent company. This resulted to a decrease in Book Value per Share to ₱1.95 in 2022 from ₱3.08 in 2021.

Comparable discussion on Material Changes in Results of Operations for the year ended December 31, 2021 and 2020.

Amounts in millions Php	December 31				
	2021	%/Rev	2020	%/Rev	% Change
Revenues	4,469	100%	4,679	100%	-4%
Cost of sales and services	4,979	111%	5,298	113%	-6%
Gross profit (loss)	(510)	-11%	(619)	-13%	-18%
Other operating expenses	1,094	24%	1,042	22%	5%
Provision for estimated credit losses	396	9%	762	16%	-48%
Operating profit (loss)	(2,001)	-45%	(2,423)	-52%	-17%
Finance cost, net	1,425	32%	1,279	27%	11%
Share in net loss of associates	892	20%	1,046	22%	-15%
Other charges (income), net	(347)	-8%	(1,846)	-39%	-81%
Profit (Loss) before tax	(3,971)	-89%	(2,902)	-62%	37%
Tax expense (income)	(65)	-1%	409	9%	-116%
Net profit (loss) after tax	(3,906)	-87%	(3,311)	-71%	18%
Add Back:					
Tax expense (income)	(65)	-1%	409	9%	-116%
Depreciation and amortization	1,485	33%	1,676	36%	-11%
Interest Expense (Income), net	1,403	31%	1,300	28%	8%
Loss on debt modification	0	0%	87	2%	-100%
Share in net losses of an associate	892	20%	1,046	22%	-15%
Gain on sale of an asset held for sale	(145)	-3%	0	0%	100%
Gain on redemption of preferred shares	(355)	-8%	0	0%	100%
Gain on bargain purchase	0	0%	(1,185)	-25%	-100%
Gain on sale of an associate	0	0%	(984)	-21%	-100%
Loss on remeasurement of shares	0	0%	333	7%	-100%
Impairment of goodwill	10	0%	0	0%	100%
Provision for estimated credit losses	396	9%	762	16%	-76%
Impairment losses on property and equipment	71	2%	71		0%
Other (Income) Charges	183	4%		0%	100%
Adjusted EBITDA	(31)	-1%	205	4%	-115%

Year 2020 saw the serious onset of the COVID-19 pandemic and Year 2021 was the continuation of the debilitating effects of the pandemic which spared no one globally. The pandemic hampered economic activities of all businesses in the country, disrupting all aspects and areas of business entities and putting their survival at risk.

In 2021, Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries' (CLIHC or the "Group") Consolidated Net Loss After Tax was ₱3,906 million or ₱2.143 loss per basic and diluted share compared to 2020

of ₱3,311 million or ₱1.817 loss per basic and diluted share. This was due to incurred losses from the sale of certain assets during the year which amounted to ₱496 million, net. The first two and a half months of 2020 was on pre-pandemic status.

Consolidated Revenues was ₱4,469 million for the year, a decrease of 4% compared to prior year due to decline in revenues in the tanker, passenger and tugboat segments of the Group. Vessel availability issues, low passenger volume due to travel protocols and lower tugs movement brought by reduced entry of foreign vessels owing to certain requirements imposed by port operators, resulted in the reduction in Revenues in these segments. However, the shortfall was alleviated by the increase in freight and logistics revenues by 30% and 41%, respectively year over year. With few vessels in operation and reduced capacity, route rationalization was done to identify profitable routes and to maximize revenue generation of each vessel.

The Group reacted to the challenging condition of shrinking revenues by reducing operational expenditures and by practicing strict cost control. Cost of Services decreased by 6% to ₱4,979 million from ₱5,298 million in 2020. Some of the vessels were placed on intentional lay-up due to low load factor and to save on cash costs. Certain vessels were also on extended drydocking which brought about the reduction in Depreciation and Amortization expense by 12% and Repairs and Maintenance costs by 31%. Manning for laid up vessels and for those on extended drydock, are kept at minimum allowable, decreasing Crew cost by 21%. Consolidated cost of services includes Impairment Losses on Vessels amounting to ₱71 million in 2021 and ₱69 million in 2020.

Under-utilization of vessels put margin pressure on the Group's operating performance which resulted to a negative consolidated margin of 11% in 2021 however, this is an improvement from last year's 13% negative margin.

Consolidated Other Operating costs were ₱1,094 million for the year, an increase of 5% year over year, which was due to higher Outside Services costs this year.

CLIHC and Subsidiaries thoroughly considered and set aside the expected credit loss this year of ₱396 million in addition to ₱762 million provided in 2020, to uplift coverage as well as to closely monitor asset quality.

Consolidate Operating Loss was ₱2,001 million compared to ₱2,423 million for the same period last year, due to cost containment measures implemented.

The Group's Finance cost was ₱1,425 million, an 11% increase from prior year of ₱1,279 million due to loan restructuring of the Group.

Share in Net Losses of an Associate, Dito Holdings Corp. (DHC) was ₱892 million in 2021, a 15% drop from prior year's combined share in losses of ₱1,046 million from associates – DHC at ₱149 million, 2GO Group, Inc. at ₱206 million, and Dito Telecommunity Corp. (DTC) at ₱691 million.

Net Other Income in the period amounted to ₱347 million compared to ₱1,846 million in prior year and comprised the following loss (income) items:

Amounts in millions Php	December 31				
	2021	%/Rev	2020	%/Rev	% Change
Loss on debt modification ¹	0	0%	87	2%	-100%
Gain on bargain purchase ²	0	0%	(1,185)	-25%	-100%
Loss on remeasurement of shares ²	0	0%	333	7%	-100%
Gain on sale of an associate ³	0	0%	(984)	-21%	-100%
Gain on sale of an asset held for sale ⁴	(145)	-3%	0	0%	100%
Gain on redemption of preferred shares ⁵	(355)	-8%	0	0%	100%
Impairment of goodwill ⁶	10	0%	0	0%	100%
Other Charges (Income)	143	3%	(98)	-2%	-245%
Gain on pre-termination of time charter contract ⁷	(313)	-7%	0	0%	100%
Loss (Gain) on sale of vessels and equipment ⁸	496	11%	(50)	-1%	-1091%
Gain on retirement of fixed assets ⁹	0	0%	(24)	-1%	-100%
Miscellaneous	(41)	-1%	(24)	-1%	66%
Net Other Loss (Income)	(347)	-8%	(1,846)	-39%	-81%

¹ In 2020, part of the Group's loans was restructured which incurred cost of ₱87 million on debt modification.

² The Gain on Bargain Purchase of ₱1,185 million and Loss on Remeasurement of Investment of ₱333 million resulted from the step-up acquisition of KGLI-NM, a subsidiary and recorded in 2020. The investment and corresponding goodwill were measured at fair value less cost to sell.

³ The ₱984 million Gain on Sale of an Associate arose out of the sale of 40,833,332 Common shares and 22,916,666 Preferred shares of DTC to DHC. CLIHC owned 42% of DHC and subsequently diluted to 11% upon subscription of Udenna Communications Media and Entertainment Holdings Corp. (UCME) to additional Common shares in DHC, resulting to an indirectly ownership of CLIHC in DTC of 6.6%. The sale was approved by CLIHC's Board of Directors on October 30, 2020.

⁴ On March 18, 2021, CLIHC entered into a Share Purchase Agreement (SPA) with a third party for the sale of its investments in 2GO Group, Inc. In May and June 2021, the sale of investments was executed with total consideration of ₱7,460 million, in which the Group recognized a Gain on Sale of an Asset Held for Sale amounting to ₱154 million.

On August 19, 2021, The Supercat Fast Ferry Corp. (SFFC) sold MV Supercat 36 for a total consideration of ₱2.5 million, in which SFFC recognized a Loss on Sale amounting to ₱9.4 million.

⁵ In 2021, CLIHC acquired the Redeemable Preferred Shares from a previous holder for a total consideration of ₱875 million and recognized a Gain on Redemption amounting to ₱356 million.

⁶ The Goodwill from the acquisition of Bunkers Manila, Inc. (BMI) was determined to be unrecoverable and an Impairment Loss of ₱10 million was recognized in 2021.

⁷ Gain was recognized relative to the termination of a Time Charter contract amounting to ₱313 million in 2021.

⁸ In 2021, certain vessels and vessel equipment were sold to third parties for a total consideration

of ₱358 million and a loss on sale amounting to ₱355 million was recognized. Also, a floating dock was sold in the same year for the amount of ₱232 million and a loss on sale amounting to ₱141 million was recognized. Total Loss on sale of vessels and equipment totaled ₱496 million during the year.

Consolidated Loss Before Tax was ₱3,971 million, a 37% increase year on year, which was a result of recognized gains in the divestment of shares and sale of an associate in 2020.

The Tax Income of ₱65 million in 2021 and Tax Expenses of ₱409 million includes deferred tax expense (income) relating to origination and reversal of temporary differences.

Adjusted EBITDA for the year was a negative ₱31 million compared to a positive ₱205 million in 2020, due to declined results of the Group.

Financial Condition

December 31, 2021 versus December 31, 2020

Amounts in millions Php	December 31				
	2021	% /Total	2020	% /Total	% Change
Current Assets	11,038	32%	4,988	13%	121%
Non-Current Assets	23,084	68%	32,366	87%	-29%
Total Assets	34,122	100%	37,355	100%	-9%
Current Liabilities	16,135	47%	16,761	45%	-4%
Non-Current Liabilities	12,337	36%	11,108	30%	11%
Total Liabilities	28,472	83%	27,869	75%	2%
Total Equity	5,650	17%	9,486	25%	-40%

Consolidated current assets increased 121% from ₱4,988 million in December 2020 to ₱11,038 million in December 2021 caused by the growth in Advances to related parties account by ₱6,533 million. This is related to the sale proceeds from the disposal of the 2GO investment which were applied against certain loans of the parent company related to the investment. While Non-current assets were reduced to ₱23,084 million compared to ₱32,366 million in 2020. Certain vessels and equipment of the Group were sold during the year, and certain vessels were impaired resulting to the decrease in Property and equipment account.

Total Assets of the Group was ₱34,122 million in 2021 compared to ₱37,355 million in 2020 due to decline in non-current assets.

Consolidated Interest-bearing loans of the Group was ₱18,079 million at the end of the current year, an increase of 6% versus ₱17,007 million in 2020 merely due to set up of lease obligation for the acquisition of MV TA 21 amounting ₱1,100 million.

Total Equity of the Group decreased to ₱5,650 million or by 40% as against last year of ₱9,486 million due to incurred losses amounting to ₱3,905 million in the current year.

Key Performance Indicators and Relevant Ratios

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

	2023	2022	2021
Current ratio	0.73	0.64	0.66
Debt-to-equity ratio	7.44	7.93	5.15
Book value per share	1.82	1.95	3.08
EBITDA margin	22%	15%	-0.19%
Return on equity	-29%	-68%	-70%
Loss per share	-0.59	-1.34	-2.14

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 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 affect 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

The Company is not aware of other events that will materially trigger a 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 discussed in Note 24.6 to the financial statements, the Company signed a shipbuilding agreement for the delivery of a bed/seat Ro-Ro type passenger ferry ship presently identified as Builder's No. F-1351 for delivery in June 2021.

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 its sales and/or income from continuing operations.

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

On March 27, 2021, the President of the Republic of the Philippines declared the imposition of Enhanced Community Quarantine (ECQ) which restricted all land, air and sea transport to and from Luzon. Several local government units in Visayas and Mindanao also followed with their respective Executive Orders restricting all forms and transport. These pronouncements resulted in a significant slowdown in the Group's operations while continuously incurring costs while the vessels are on laid-up status.

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. This scenario, however did not hold true for 2020 because of the ECQ declared in the various cities and provinces where the Group operates, starting second half of March 2020.

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

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

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

The management of Chelsea Logistics and Infrastructure Holdings Corp and its subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 or members.

Punongbayan & Arullo, 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 or members, 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 CEO

TIN 913-898-959

IGNACIA S. BRAGA IV

Chief Financial Officer

TIN 108-038-078

AUG 02 2024

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2024 at Taguig City,
affiants exhibited to me their respective TIN.

Doc. No. 173Page No. 30Book No. 49

Series of 2024

ATTY. ROMEO M. MONFORT

Notary Public for Makati

Until December 31, 2025

Appointment No. M-032(2024-2025)

PTR No. 10073908 Jan. 2, 2024 Makati City
IBP No. 391530-Jan. 3, 2024 Pasig City / Roll No. 27932

MCLE NO. VII-0027570 issued April 3, 2023

101 Urban Ave., Campos Rueda Bldg.

HEAD OFFICE: MANILA OFFICE: Taguig City

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18th Floor, Udena Tower, 4th Ave. Cor. Rizal Drive, Bonifacio Global City, Taguig City 1634

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

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(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, 2023 and 2022, 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, 2023, and notes to consolidated financial statements, including material accounting policy 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, 2023 and 2022, and its consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2023 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.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the impact of the Russia-Ukraine conflict, and the increasing liquidity risk arising from the Group's high debt-leveraged status. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue Recognition***Description of the Matter***

The Group's revenues, which is comprised significantly of freight revenues, charter fees, passage fees, rendering of services and tugboat fees, amounted to P7,047.7 million for the year ended December 31, 2023.

The Group focuses on revenue as a key performance measure, which could create an incentive for management to overstate revenues. In our view, revenue recognition is a key audit matter due to its significance to profit or loss and high volume of revenue transactions. Relative to this, we consider that there is higher risk associated with revenue occurrence and recognition of revenues in the appropriate accounting period.

The Group's disclosures on its revenue recognition policy and disaggregation of revenues are presented 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:

- Updating our understanding of the policies and procedures applied to revenue recognition;
- Assessing the design effectiveness of internal controls related to revenue recognition processes employed by the Group;
- Reviewing the existing contracts with customers and evaluating the appropriateness of the Group's revenue recognition policies and application in compliance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Testing charter agreements, billing invoices, vessel fixture notes, bills of lading and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether revenue recognition is properly recognized at the time the Group satisfies its performance obligations;
- Examining 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*

As of December 31, 2023, the Group's goodwill amounted to P1,774.1 million. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. 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:

- Evaluating the reasonableness of the assumptions and methodology used by the management in determining the cash-generating units attributable to the goodwill, which include the discount rates, growth rates and cash flow projections, by comparing them to external and historical data;
- Engaging our Firm valuation specialist to assist in evaluating the appropriateness of the valuation method and assumptions used in estimating the recoverable amount of cash-generating units; and,
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(c) 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 reported under the Property and Equipment account amounted to P14,552.2 million, representing 44% of the total assets of the Group. 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. The fair value is determined based on the valuation made by independent appraisers and by management, for certain vessels, every after drydocking of vessels, which is performed once every two years.

The fair valuation of the Group's vessels is considered significant in our audit as the amount is material to the consolidated financial statements and the determination of fair values involves significant management assumptions and high degree of estimation uncertainty.

The methods and assumptions used in determining the fair value of vessels are 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, 2023 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 competence, capability and objectivity;
- 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; and,
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements.

(d) Prior Period Recognition of Previously Undisclosed Loans Payable and Investment in an Associate

Description of the Matter

In 2023, the Group made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2022 and 2021 comparative consolidated statements of financial position and 2022 and 2021 comparative consolidated statements of comprehensive income. These adjustments include the following:

- recognition of a previously unrecorded interest-bearing loan amounting to P335.3 million, and the related accrued interest payable of P54.5 million and P7.0 million as of December 31, 2022 and 2021, respectively;
- recognition of additional investment in an associate amounting to P439.2 million and P424.3 million as of December 31, 2022 and 2021, respectively; and,
- reclassification of certain loan previously presented as part of non-current portion to current portion under Interest-bearing loans and borrowings amounting to P77.2 million and P95.2 million as of December 31, 2022 and 2021, respectively.

The unrecognized loans payable and investment were only discovered in 2023 upon the sale of the investment, prompting further review and investigation by management. As a result, previously unavailable documentation were obtained and prior period adjustments were identified. We consider this matter significant to our audit as it is an area that involves a higher assessed risk of material misstatement that required significant professional judgments.

The disclosures on the nature of the prior period adjustments and the analysis of the impact on the affected accounts in the Group's consolidated financial statements are included in Note 2.

How the Matter was Addressed in the Audit

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

- Obtaining an understanding of the nature and root cause of the prior period adjustments;
- Confirming balances and transactions with counterparties involved in the transactions, and inspecting supporting documentation on all underlying transactions to ascertain that all adjustments are properly supported and appropriate;
- Assessing the impact to the Group's compliance with debt covenants attached to its loan facilities;
- Applying professional skepticism in determining the reliability and integrity of the documents provided and management representations; and,
- Evaluating the adequacy of the financial statement disclosures.

(e) Going Concern Assessment*Description of the Matter*

The Group incurred a net loss of P1,142.8 million for the year ended December 31, 2023 and reported a deficit of P10,533.1 million as of December 31, 2023. In our view, the management's assessment of the going concern basis of accounting is a key audit matter due to the following factors:

- The ongoing Russia-Ukraine military conflict caused an unprecedented increase in the fuel prices and other overheads, which are essential to the Group's operations; and,
- The Group is highly debt-leveraged, which exposes the Group to increasing liquidity risk.

In consideration of the above, the management's assessment in determining whether a material uncertainty exists on the Group's ability to continue as a going concern entity involves complex judgment and high degree of estimation uncertainty. The management's assessment includes, among others, financial forecasts and cash flow projections to determine the Group's ability to operate profitably in the subsequent reporting periods and generate sufficient cash flows to service debts and fund its operations.

Taking into account the sensitivity analyses performed by the management, the Group has concluded that there are no material uncertainties around the going concern assumptions. The disclosures on the going concern assessment are included in Note 1 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risks related to the Group's ability to continue as a going concern included the following:

- Evaluating the appropriateness and sufficiency of management's going concern assessment, taking into consideration the current business environment and the Group's recovery and response plans;
- Evaluating key assumptions used by management by reference to historical information, after consideration of the actions undertaken and planned strategies of management in relation to the Group's operating and financing activities;
- Reviewing relevant documents and agreements supporting the transactions entered into by the Group as of the date of the audit report in relation to its recovery plans; and,
- Assessed the adequacy of the related disclosures in the notes to consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), the Group's SEC Form 17-A and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2023, 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 when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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 2023 audit resulting in this independent auditors' report is Mary Grace A. Punay.

PUNONGBAYAN & ARAULLO
By: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 9477629, January 12, 2024, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 2, 2024

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>December 31, 2023</u>	<u>December 31, 2022 (As restated - see Note 2)</u>	<u>January 1, 2022 (As restated - see Note 2)</u>
<u>A S S E T S</u>				
CURRENT ASSETS				
Cash and cash equivalents	4	P 392,586,988	P 236,810,520	P 269,690,887
Trade and other receivables - net	5	622,856,457	790,049,031	1,055,240,918
Inventories	6	272,632,109	268,514,059	497,453,817
Advances to related parties	19	7,626,252,787	7,619,279,150	7,794,510,442
Other current assets	7	<u>2,031,879,227</u>	<u>1,753,266,343</u>	<u>1,421,224,113</u>
Total Current Assets		<u>10,946,207,568</u>	<u>10,667,919,103</u>	<u>11,038,120,177</u>
NON-CURRENT ASSETS				
Investment properties	8	1,270,907,961	1,270,907,961	1,432,307,437
Property and equipment - net	9	18,140,459,806	18,417,588,495	19,033,334,369
Investments in associates and a joint venture	10	-	520,243,952	505,258,874
Goodwill	23	1,774,083,332	1,774,083,332	1,838,002,446
Post-employment benefit asset	16	1,911,736	1,800,436	1,800,436
Deferred tax assets - net	18	37,582,101	47,274,610	130,507,493
Other non-current assets - net	11	<u>780,205,282</u>	<u>585,709,108</u>	<u>483,571,724</u>
Total Non-current Assets		<u>22,005,150,218</u>	<u>22,617,607,894</u>	<u>23,424,782,779</u>
TOTAL ASSETS		<u>P 32,951,357,786</u>	<u>P 33,285,526,997</u>	<u>P 34,462,902,956</u>

	Notes	December 31, 2023	December 31, 2022 (As restated - see Note 2)	January 1, 2022 (As restated - see Note 2)
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Trade and other payables	13	P 10,248,262,229	P 10,238,851,778	P 9,432,292,191
Interest-bearing loans and borrowings	12	3,855,694,365	5,722,725,665	6,440,653,981
Advances from related parties	19	504,000,000	529,490,390	624,023,838
Advances from customers	2	436,376,981	249,583,990	115,768,247
Income tax payable		13,053,090	6,132,313	1,563,179
Total Current Liabilities		15,057,386,665	16,746,784,136	16,614,301,436
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	12	13,182,631,974	12,348,108,124	11,938,979,017
Post-employment benefit obligation	16	127,226,447	88,859,075	80,016,237
Deferred tax liabilities - net	18	642,683,350	370,764,425	218,943,926
Other non-current liabilities		37,157,877	3,935,500	3,935,500
Total Non-current Liabilities		13,989,699,648	12,811,667,124	12,241,874,680
Total Liabilities		29,047,086,313	29,558,451,260	28,856,176,116
EQUITY				
Equity attributable to shareholders of the Company				
Capital stock	20	2,144,018,615	1,916,227,615	1,821,977,615
Deposits on future stock subscriptions		-	-	720,425,000
Additional paid-in capital		11,204,327,157	10,709,745,157	9,998,370,157
Share options outstanding		49,940,776	41,572,709	22,812,287
Revaluation reserves		1,917,069,636	1,491,255,887	1,050,911,063
Other reserves		(1,058,033,280)	(1,058,033,280)	(1,058,033,280)
Deficit		(10,533,051,431)	(9,553,692,351)	(7,129,736,002)
		3,724,271,473	3,547,075,737	5,426,726,840
Non-controlling interest	20	180,000,000	180,000,000	180,000,000
Total Equity		3,904,271,473	3,727,075,737	5,606,726,840
TOTAL LIABILITIES AND EQUITY		P 32,951,357,786	P 33,285,526,997	P 34,462,902,956

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As restated - see Note 2)	2021 (As restated - see Note 2)
REVENUES	24	P 7,047,698,048	P 6,432,753,269	P 4,468,563,672
COST OF SALES AND SERVICES	14	5,598,374,534	5,641,753,157	4,903,831,410
GROSS PROFIT (LOSS)		1,449,323,514	791,000,112	(435,267,738)
OTHER OPERATING EXPENSES	15	1,397,808,992	1,114,334,027	1,094,471,418
EXPECTED CREDIT LOSSES ON RECEIVABLES	5, 15	95,276,386	41,872,781	396,386,975
OPERATING LOSS		(43,761,864)	(365,206,696)	(1,926,126,131)
OTHER INCOME (CHARGES) - Net				
Finance costs	17	(1,258,453,107)	(1,384,914,944)	(1,438,025,807)
Gain on debt modification	12	241,501,013	134,355,784	-
Gain on sale of investment in associate	10	96,046,458	-	-
Impairment loss on investment in a joint venture	10	(81,001,439)	-	-
Impairment losses on property and equipment	9	(15,919,578)	(624,441,740)	(71,040,998)
Finance income	17	811,044	4,105,441	6,034,750
Impairment loss on investment properties	8, 12	-	(232,607,476)	-
Impairment loss on goodwill	23	-	(63,919,114)	(10,375,700)
Share in net income (loss) of associates	10	-	14,985,078	(887,079,722)
Gain on sale of an asset held for sale	10	-	-	144,605,713
Gain on redemption of preferred shares		-	-	355,489,306
Other income (loss)	17	13,575,374	42,988,497	(142,531,515)
		(1,003,440,235)	(2,109,448,474)	(2,042,923,973)
LOSS BEFORE TAX		(1,047,202,099)	(2,474,655,170)	(3,969,050,104)
TAX EXPENSE (INCOME)	18	95,628,671	56,680,786	(65,478,691)
NET LOSS		(P 1,142,830,770)	(P 2,531,335,956)	(P 3,903,571,413)
Loss Per Share (Basic and Diluted)	21	(P 0.587)	(P 1.343)	(P 2.142)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As restated - see Note 2)	2021 (As restated - see Note 2)
NET LOSS		(P 1,142,830,770)	(P 2,531,335,956)	(P 3,903,571,413)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Revaluation of vessels	9	839,224,129	714,299,589	(97,809,298)
Remeasurement of post-employment benefit obligation	16, 20, 21	(6,291,481)	34,014,774	60,163,065
Tax income	20	(243,380,779)	(200,672,418)	41,974,764
		589,551,869	547,641,945	4,328,531
Items that will be reclassified subsequently to profit or loss –				
Currency exchange differences on translating financial statements of foreign operations	2	(266,430)	82,486	1,618,520
Other Comprehensive Income - net of tax		589,285,439	547,724,431	5,947,051
TOTAL COMPREHENSIVE LOSS		(P 553,545,331)	(P 1,983,611,525)	(P 3,897,624,362)

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

Note	Attributable to Owners of the Parent Company								Non-controlling Interest	Total Equity
	Capital Stock	Deposits on Future Stock Subscriptions	Additional Paid-in Capital	Share Options Outstanding	Revaluation Reserves	Other Reserves	Deficit	Total		
Balance at January 1, 2023, as previously reported	P 1,916,227,615	P -	P 10,709,745,157	P 41,572,709	P 1,491,255,887	(P 1,058,033,280)	(P 9,505,438,857)	P 3,595,329,231	P 180,000,000	P 3,775,329,231
Effect of prior period adjustment	-	-	-	-	-	-	(48,253,494)	(48,253,494)	-	(48,253,494)
Balance at January 1, 2023, as restated (see Note 2)	1,916,227,615	-	10,709,745,157	41,572,709	1,491,255,887	(1,058,033,280)	(9,553,692,351)	3,547,075,737	180,000,000	3,727,075,737
Collection of subscriptions during the year	20 150,000,000	-	339,000,000	-	-	-	-	489,000,000	-	489,000,000
Issuance of common shares during the year	20 77,791,000	-	155,582,000	-	-	-	-	233,373,000	-	233,373,000
Total comprehensive loss for the year										
Net loss	-	-	-	-	-	-	(1,142,830,770)	(1,142,830,770)	-	(1,142,830,770)
Other comprehensive income	-	-	-	-	589,285,439	-	-	589,285,439	-	589,285,439
Share based compensation	20 -	-	-	8,368,067	-	-	-	8,368,067	-	8,368,067
Transfer of revaluation reserves through depreciation, net of tax	20 -	-	-	-	(163,471,690)	-	163,471,690	-	-	-
Balance at December 31, 2023	20 <u>P 2,144,018,615</u>	<u>P -</u>	<u>P 11,204,327,157</u>	<u>P 49,940,776</u>	<u>P 1,917,069,636</u>	<u>(P 1,058,033,280)</u>	<u>(P 10,533,051,431)</u>	<u>P 3,724,271,473</u>	<u>P 180,000,000</u>	<u>P 3,904,271,473</u>
Balance at January 1, 2022, as previously reported	P 1,821,977,615	P 720,425,000	P 9,998,370,157	P 22,812,287	P 1,050,911,063	(P 1,058,033,280)	(P 7,086,204,307)	P 5,470,258,535	P 180,000,000	P 5,650,258,535
Effect of prior period adjustment	-	-	-	-	-	-	(43,531,695)	(43,531,695)	-	(43,531,695)
Balance at January 1, 2022, as restated (see Note 2)	1,821,977,615	720,425,000	9,998,370,157	22,812,287	1,050,911,063	(1,058,033,280)	(7,129,736,002)	5,426,726,840	180,000,000	5,606,726,840
Subscriptions of common shares during the year	20 93,750,000	(305,625,000)	211,875,000	-	-	-	-	-	-	-
Issuance of preferred shares during the year	500,000	(414,800,000)	499,500,000	-	-	-	-	85,200,000	-	85,200,000
Total comprehensive loss for the year										
Net loss - as restated (see Note 2)	-	-	-	-	-	-	(2,531,335,956)	(2,531,335,956)	-	(2,531,335,956)
Other comprehensive income	-	-	-	-	547,724,431	-	-	547,724,431	-	547,724,431
Share based compensation	20 -	-	-	18,760,422	-	-	-	18,760,422	-	18,760,422
Transfer of revaluation reserves from share in OCI of an associate	-	-	-	-	-	-	-	-	-	-
Transfer of revaluation reserves through depreciation, net of tax	20 -	-	-	-	(107,379,607)	-	107,379,607	-	-	-
Balance at December 31, 2022, as restated (see Note 2)	20 <u>P 1,916,227,615</u>	<u>P -</u>	<u>P 10,709,745,157</u>	<u>P 41,572,709</u>	<u>P 1,491,255,887</u>	<u>(P 1,058,033,280)</u>	<u>(P 9,553,692,351)</u>	<u>P 3,547,075,737</u>	<u>P 180,000,000</u>	<u>P 3,727,075,737</u>
Balance at January 1, 2021	P 1,821,977,615	P 662,596,200	P 9,998,370,157	P 16,869,063	P 1,201,437,920	(P 1,058,033,280)	(P 3,367,774,527)	P 9,275,443,148	P 210,363,269	P 9,485,806,417
Effect of prior period adjustment	-	-	-	-	-	-	(45,227,239)	(45,227,239)	-	(45,227,239)
Balance at January 1, 2021, as restated (see Note 2)	1,821,977,615	662,596,200	9,998,370,157	16,869,063	1,201,437,920	(1,058,033,280)	(3,413,001,766)	9,230,215,909	210,363,269	9,440,579,178
Deposits received on future stock subscriptions	20 -	57,828,800	-	-	-	-	-	57,828,800	-	57,828,800
Acquisition of share from minority	-	-	-	-	-	-	30,363,269	30,363,269	(30,363,269)	-
Total comprehensive loss for the year										
Net loss - as restated (see Note 2)	-	-	-	-	-	-	(3,903,571,413)	(3,903,571,413)	-	(3,903,571,413)
Other comprehensive income	-	-	-	-	5,947,051	-	-	5,947,051	-	5,947,051
Share-based compensation	20 -	-	-	5,943,224	-	-	-	5,943,224	-	5,943,224
Transfer of revaluation reserves through depreciation, net of tax	20 -	-	-	-	(156,473,908)	-	156,473,908	-	-	-
Balance at December 31, 2021, as restated (see Note 2)	<u>P 1,821,977,615</u>	<u>P 720,425,000</u>	<u>P 9,998,370,157</u>	<u>P 22,812,287</u>	<u>P 1,050,911,063</u>	<u>(P 1,058,033,280)</u>	<u>(P 7,129,736,002)</u>	<u>P 5,426,726,840</u>	<u>P 180,000,000</u>	<u>P 5,606,726,840</u>

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As restated - see Note 2)	2021 (As restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(P 1,047,202,099)	(P 2,474,655,170)	(P 3,969,050,104)
Adjustments for:				
Depreciation and amortization	9, 11	1,353,139,809	1,255,702,826	1,484,181,534
Interest expense	17	1,227,384,987	1,255,841,870	1,410,276,088
Gain on debt modification	12	(241,501,013)	(134,355,784)	-
Loss (gain) on sale of property and equipment	9, 17	161,386,160	(2,893,508)	495,936,979
Gain on sale of investment in an associate	10	(96,046,458)	-	-
Impairment loss on investment in joint venture	10	81,001,439	-	-
Impairment losses on property and equipment	9	15,919,578	624,441,740	71,040,998
Unrealized foreign currency exchange losses (gains) - net	17	(9,610,837)	124,988,169	12,975,444
Share option benefit expense	20	8,368,067	18,760,422	5,943,224
Gain on pretermination of lease liability	12	(6,191,781)	-	-
Interest income	17	(1,115,715)	(3,859,469)	(640,268)
Impairment losses on investment properties	8	-	232,607,476	-
Impairment losses on goodwill	23	-	63,919,114	10,375,700
Share in net loss (income) of associates	10	-	(14,985,078)	887,079,722
Gain on sale of assets held for sale	17	-	-	(144,605,713)
Gain on redemption of preferred shares	17	-	-	(355,489,306)
Operating profit (loss) before working capital changes		1,445,532,136	945,512,607	(91,975,702)
Decrease in trade and other receivables		167,192,574	265,191,887	673,798,843
Decrease (increase) in inventories		(4,118,050)	228,939,758	115,167,504
Decrease in advances to related parties		(6,973,637)	175,231,292	156,359,535
Increase in other current assets		(323,016,223)	(410,568,063)	(173,544,719)
Decrease (increase) in post-employment benefit asset		(111,300)	-	4,154,768
Increase in other non-current assets		(196,886,455)	(45,432,740)	(86,742,172)
Increase (decrease) in trade and other payables		(421,427,919)	86,669,526	(95,396,312)
Increase in advances from customers		186,792,991	133,815,743	52,646,543
Increase in post-employment benefit obligation		32,075,891	42,857,612	26,392,961
Increase (decrease) in other non-current liabilities		33,222,377	-	(71,298,444)
Cash generated from operations		912,282,385	1,422,217,622	509,562,805
Interest received		1,115,715	3,859,469	640,268
Cash paid for income taxes		(6,340,330)	(1,600,984)	(7,377,558)
Net Cash From Operating Activities		907,057,770	1,424,476,107	502,825,515
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	9	(628,253,055)	(443,525,122)	(269,115,281)
Proceeds from disposal of property and equipment	9	220,558,217	4,141,328	447,352,689
Proceeds from disposal of investment in associate	10, 12	198,000,001	-	-
Acquisition of software	11	(1,300,447)	(746,702)	(6,565,440)
Proceeds from disposal of other non-current assets held for sale		-	-	122,580,182
Net Cash From (Used in) Investing Activities		(210,995,284)	(440,130,496)	294,252,150
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(717,695,246)	(461,654,232)	(655,053,098)
Repayments of interest-bearing loans and borrowings	12	(711,100,382)	(546,238,299)	(391,890,832)
Collection of subscription receivable	20	489,000,000	-	-
Proceeds from interest-bearing loans and borrowings	12	425,000,000	-	286,281,556
Repayments of advances from related parties	19	(25,490,390)	(94,533,448)	-
Proceeds from deposits for future stock subscriptions	20	-	85,200,000	57,828,800
Proceeds from advances from related parties	19	-	-	36,239,823
Net Cash Used in Financing Activities		(540,286,018)	(1,017,225,979)	(666,593,751)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		155,776,468	(32,880,367)	130,483,914
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		236,810,520	269,690,887	139,206,973
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 392,586,988	P 236,810,520	P 269,690,887

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 AND 2021
(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 August 8, 2017, the shares of stock of the Company were listed at the Philippine Stock Exchange (PSE).

On April 4, 2022, the SEC approved the Company's application for increase in authorized capital stock. The approval resulted in the increase in Udenna Corporation (Udenna or the Parent Company)'s effective ownership interest in the Company from 70% in 2021 to 75% in 2022. In October 2023, CLC entered into debt to equity conversion agreements with two of its lenders as part of its liability management exercise, reducing Udenna's effective ownership interest to 72.55% (see Note 20).

The Company is a subsidiary of 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 of 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, 2023 and 2022, the Company holds ownership interests in the following subsidiaries and associates:

Company Name	Explanatory Notes	Percentage of Ownership	
		2023	2022
Subsidiaries through direct interest:			
Chelsea Shipping Corp. (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%	100%
The Supercat Fast Ferry Corporation (SFFC)	(g)	100%	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 and 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%
Precision Supply Chain Solution, Inc. ⁴ (Precision) ⁴	(z)	100%	-
Big Hub Transport and Logistics Corp. (Big Hub) ³	(w)	100%	100%
KGLI-NM Holdings, Inc. (KGLI-NM) ⁵	(x)	100%	100%

Company Name	Explanatory Notes	Percentage of Ownership	
		2023	2022
Associates:			
Dito Holdings Corporation (DHC)	(y)	8.59%	10.54%
Oroport Cargohandling Services, Inc. (Oroport)	(aa)	-	30.27%

¹Wholly owned subsidiary of CSC

²Wholly owned subsidiary of FTC

³Wholly owned subsidiary of Trans-Asia

⁴Wholly owned subsidiary of Starlite

⁵60.29% owned by CLC and 39.71% owned by UIBV, based on voting rights

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, harbors, and other waterways in the Philippines.

(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 39.71% of the voting rights in KGLI-NM.

(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. SFI was acquired on November 9, 2017.

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. WSI was acquired on November 8, 2017.

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

(g) Incorporated in June 20, 2001 and is primarily engaged in domestic shipping business - transporting both passenger and cargoes, to own, operate, and charter vessels of any class or type, and to own, control, construct and operate passenger terminals.

- (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, 2023, CDC has not yet started commercial operations.
- (o) Incorporated on March 14, 2018 to primarily engage in 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.
- (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, 2023.
- (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, 2023, 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. Starbites is also engaged in the business of providing commercial laundry cleaning, folding and ironing services, and selling and managing water refilling stations.
- (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 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 initially subscribed to 41.67% ownership interest in DHC on November 4, 2019. DHC has not yet started commercial operations as of December 31, 2023.

In 2023, the SEC approved the increase in authorized capital stock of DHC, which resulted in the dilution of the Company's ownership interest in DHC from 10.54% to 8.59% upon subscription by a third party of additional P2.2 billion in DHC. Such dilution did not result in cessation of significant influence of the Company over DHC (see Note 10.1).

- (z) Incorporated on December 28, 2023 and is primarily engaged to provide complete foreign and domestic end to end logistics, and distribution services for any and all kinds of goods including last mile delivery through the use of all available motor vehicles and vessels, aircraft, and to operate the necessary warehouses in connection with said logistics and distribution services. Precision has not yet started commercial operations as of December 31, 2023.
- (aa) Incorporated on January 13, 2004 and is primarily engaged in the business of stevedoring and arrastre, including hauling and other services of the same nature in wharves in any ports of the Philippines. Oroport is currently awarded by the Philippine Ports Authority (PPA) with a contract ending in December 31, 2024 to manage and operate an arrastre, stevedoring, and other related cargo handling services in the international port of Cagayan de Oro City on all cargoes and vessels under certain terms and conditions. CDC acquired 30.27% stake in Oroport in 2021 but subsequently divested in 2023.

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

1.3 Status of the Group's Operations

The continued rapid economic expansion in 2023 follows a strong rebound from the COVID-19 pandemic during 2022, which drove the pace of growth of the Philippines economy. Still, extraordinary conditions in early 2022 triggered by the Russia-Ukraine war caused unstable fuel prices, coupled with high interest rates and inflation, which continue to weigh down on the business and push back the projected business recovery of the Group. During the year, the Group aimed at various schemes meant to surmount these challenges and to warrant the sustainability of operations.

The following initiatives were implemented:

- Increased the number of vessels put into operation and/or trading status from 47 in 2022 to 49 in 2023 as funds become available to generate more revenues;
- Rationalized routes and deployed vessels to the most profitable routes;
- Reliable vessel schedule and load factor optimization;
- Expanding strategic partnerships;
- Reduced non-essential capital expenditure and deferred or cancelled discretionary spending;
- Development of skills and talent of personnel to fully utilize existing manpower and to motivate and improve the general well-being of the workforce;
- Divested certain investments and disposed underperforming and non-performing assets;
- Negotiated for longer payment terms with business partners, creditors and suppliers;
- Ongoing drive for innovation and digitalization to increase productivity and raise customer experience;
- Statutory compliance and risk-mitigation measures to establish sustainability; and
- Ongoing Liability Management Exercise (LME) with bankers and other financial institutions for the refinancing or restructuring of existing debt, or deferring payment of debt service.

In 2023, the Group earned total revenues amounting to P7,047.7 million, which had surpassed the pre-pandemic, full-year 2019 revenue of P6,973.5 million, and is an all-time high since 2017 revenue of P3,909.2 million. Passage and freight revenues consistently raised its bar by 50% and 3% from 2022, respectively. With COVID-19 restrictions entirely eased in 2023, passengers carried by the Group's shipping lines increased to 2.62 million from 1.82 million in the previous year. Number of trips likewise moved up by 14% from 14,649 trips in 2022.

Consolidated gross profit margin significantly improved to 21% from 12% year on year. This is mainly due to the change in contract mix, favoring a more cost-efficient bareboat charter hire than charter revenue, effectively reducing the cost of bunkering by 7% this year. The Group also posted a substantial decline in consolidated loss from operations of P43.8 million from a loss of P365.2 million in the prior year due to revenue growth in the Group's major subsidiaries such as SFFC and Starlite. The group-wide cost containment initiatives helped mitigate other operating costs, but the vessel availability issues still pulled down overall growth.

However, the continuing challenges above weighed considerably on the Group's profitability. Nonetheless, the reported consolidated net loss before tax amounting to P1,047.2 million was substantially reduced by 57.7% from P2,474.7 million loss in 2022.

With the Group's businesses strongly directed on recovery and driving steady growth, the Group thrives on the accomplishment of key strategic projects, furthering resilience alongside external pressures and improving long-term growth prospects. The Group are in talks with Japanese and Korean shipbuilding partners for additional roll-on/roll-off (RoRo) vessels to be funded by partners, to add to fleet to serve and expand the Group's ports of call.

Based on these factors, the Group projects sufficient cash flows to support its operations. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.4 Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the years ended December 31, 2023 (including the comparative consolidated financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021, and the corresponding figures as of January 1, 2022) were authorized for issue by the Company's Board of Directors (BOD) on August 2, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. 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 and Sustainability Reporting Standards Council (FSRSC) 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.

In 2023, the Group made prior period adjustments that resulted in retrospective restatements of certain accounts in the 2022 and 2021 consolidated statements of financial position and consolidated statements of profit or loss.

The Group also presents a third statement of financial position as of January 1, 2022 in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. These adjustments were taken due to the following:

- Error related to the omission of an investment in an associate acquired in 2021 (see Note 10.1) and interest-bearing loan that was obtained in 2021 [see Note 12(k)] and its related interest expense;
- Reclassification of certain loan previously presented as part of non-current portion to current portion under Interest-bearing Loans and Borrowings [see Note 12(h)]; and,
- Error related to the non-recording of advances from a related party to settle an outstanding term loan of a subsidiary in 2021 (see Note 13).

The effects of the foregoing restatements on the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
<u>December 31, 2022</u>			
<i>Changes in Assets</i>			
<i>Non-current assets</i>			
Investments in associates and a joint venture	P 81,001,440	P 439,242,512	P 520,243,952
Other non-current assets - net	669,531,351	(83,822,243)	585,709,108
		<u>P 355,420,269</u>	
<i>Changes in Liabilities and Equity</i>			
<i>Current liabilities</i>			
Trade and other payables	P 10,135,381,716	P 103,470,062	P 10,238,851,778
Interest-bearing loans and borrowings	5,345,356,964	<u>377,368,701</u>	5,722,725,665
		480,838,763	
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	12,425,273,124	(77,165,000)	12,348,108,124
		403,673,763	
<i>Changes in Equity</i>			
Deficit	(9,505,438,857)	(<u>48,253,494</u>)	(9,553,692,351)
		<u>P 355,420,269</u>	

	As Previously Reported	Prior Period Adjustments	As Restated
<u>January 1, 2022</u>			
<i>Changes in Assets</i>			
<i>Non-current assets</i>			
Investments in associates and a joint venture	P 81,001,440	P 424,257,434	P 505,258,874
Other non-current assets - net	567,393,967	(83,822,243)	483,571,724
		<u>P 340,435,191</u>	
<i>Changes in Liabilities and Equity</i>			
<i>Current Liabilities</i>			
Trade and other payables	P 9,348,529,006	P 83,763,185	P 9,432,292,191
Interest-bearing loans and borrowings	6,045,249,030	<u>395,404,951</u>	6,440,653,981
		479,168,136	
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	12,034,180,267	(95,201,250)	11,938,979,017
		383,966,886	
<i>Equity</i>			
Deficit	(7,086,204,307)	(<u>43,531,695</u>)	(7,129,736,002)
		<u>P 340,435,191</u>	

The effect of the restatement on the consolidated statements of profit or loss for the years ended December 31, 2022 and 2021 is shown below.

	As Previously Reported	Prior Period Adjustments	As Restated
<u>December 31, 2022</u>			
Cost of sales and services	P 5,669,545,551	P 27,792,394	P 5,641,753,157
Finance costs	(1,337,415,673)	(47,499,271)	(1,384,914,944)
Share in net income of associates	-	<u>14,985,078</u>	14,985,078
Impact in net loss		(<u>P 4,721,799</u>)	
Loss per share (basic and diluted)	(<u>P 1.341</u>)		(<u>P 1.343</u>)
<u>December 31, 2021</u>			
Cost of sales and services	P 4,907,365,920	P 3,534,510	P 4,903,831,410
Finance costs	(1,431,040,620)	(6,985,187)	(1,438,025,807)
Share in net loss of associates	(892,225,943)	<u>5,146,221</u>	(887,079,722)
Impact in net loss		<u>P 1,695,544</u>	
Loss per share (basic and diluted)	(<u>P 2.143</u>)		(<u>P 2.142</u>)

The effect of the restatement on the consolidated statements of cash flows for the years ended December 31, 2022 and 2021 is shown below.

	As Previously Reported	Prior Period Adjustments	As Restated
<u>December 31, 2022</u>			
Loss before tax	(P 2,469,933,371)	(P 4,721,799)	(P 2,474,655,170)
<i>Changes in cash flows from operating activities</i>			
Decrease in trade and other payables	114,461,920	(27,792,394)	86,669,526
Interest expense	1,208,342,599	47,499,271	1,255,841,870
Share in net income of associates	-	(14,985,078)	(14,985,078)
Net impact on cash from operating activities		<u>P -</u>	
<u>December 31, 2021</u>			
Loss before tax	(P 3,970,745,648)	P 1,695,544	(P 3,969,050,104)
<i>Changes in cash flows from operating activities</i>			
Increase in trade and other payables	(91,861,802)	(3,534,510)	(95,396,312)
Interest expense	1,403,290,901	6,985,187	1,410,276,088
Share in net loss of associates	892,225,943	(5,146,221)	887,079,722
Net impact on cash from operating activities		<u>P -</u>	

(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 Amended PFRS

(a) *Effective in 2023 that are Relevant to the Group*

The Group adopted for the first time the following amendments, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments):		Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below and in the succeeding page are the relevant information about these pronouncements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's consolidated financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

- (ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Group's consolidated financial statement.

(b) *Effective in 2023 that is not Relevant to the Group*

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, is not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. The Company 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 Company's financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

- (iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

2.3 Basis of Consolidation

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

(a) Investments in Subsidiaries

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 2.10).

(b) Investments in Associates and a Joint Venture

Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

2.4 Financial Assets

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.

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 fair value through profit or loss (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.

The Group applies the simplified approach in measuring ECL for its trade receivables. 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 ECL is recognized in three stages using the general approach. Accordingly, ECL is 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. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of the receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized, which may already be negligible.

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.

2.5 Inventories

The net realizable value of fuel and spare parts inventories is the current replacement cost.

2.6 Property and Equipment

Vessels and vessel equipment 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.

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 typically performed every two years on the vessel, which are capitalized (see Note 2.7).

Revalued amounts represent fair values determined based on valuation performed every after drydocking, which is generally done once every two years. Revaluations are performed and determined by independent appraisers and by management, for certain vessels. In addition, appraisal of vessels is conducted more frequently if market factors indicate a material change in fair value (see Note 27.4).

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.

2.7 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 2.6). 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 its intended 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 2.6).

2.8 Investment Properties

CIP represents an investment property under construction and is stated at cost.

If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use.

2.9 Financial Liabilities

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 (see Note 2.13). 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. 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.

2.10 Business Combinations

Business combination involving entities under common control are accounted for under the pooling of interest method.

All other business combinations are accounted for using the acquisition method.

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.

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.

2.11 Advances from Customers

Advances from customers are measured at the amount of cash received from the customers under bareboat (BB) agreements and are reclassified and recognized as revenue when the related revenue transactions are consummated.

2.12 Revenue and Expense Recognition

The Group assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all its revenue arrangements.

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. These arrangements qualify as lease; hence, revenue is recognized on a straight-line basis over the term of the contract in accordance with PFRS 16 [see Note 2.13(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) *Other service revenues* – Other service revenues generally include performance of ship management and crewing services, warehousing and distribution services. Ship management and crewing services are recognized 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) *Sale of goods* – Revenue primarily include sale of food and beverage items to the vessels' passengers and is recognized at a point in time, which is generally when control over the goods have transferred to the buyer. This is generally when the customer has taken undisputed delivery of goods.

Revenues from TC, CVC, passage, freight, tugboat fees, and other services are recognized 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.

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.

2.13 Leases - Group as Lessee

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, 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.

On the consolidated statement of financial position, right-of-use assets have been included under Property and Equipment account, which reflects how the underlying assets would have been recognized had they been owned by the Group, and lease liabilities have been included under Interest-bearing Loans and Borrowings account.

2.14 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.

2.15 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, share-based compensation and other employee benefits.

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 Group grants share options to qualified employees eligible under a stock option plan.

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

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 certain 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 other 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) Determination whether Group is Principal or Agent

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

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

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

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

(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 has assessed that despite the dilution of effective ownership interest in DHC in 2023 (see Note 10.1), the Group continues to exercise significant influence arising from its representation on the board of directors and participation in policy-making processes of DHC.

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.

(e) *Distinction Between Operating and Finance Leases where the Group is a Lessor*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish the 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 property covered by the agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has determined that all of its existing lease agreements as a lessor are operating lease agreements.

(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) *Distinction between Investment Properties and Owner-managed Properties*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(h) *Going Concern Assumptions*

The Group prepares consolidated financial statements on a going concern basis unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. When the management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Group shall disclose those uncertainties in the consolidated financial statements.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management also considers a wide range of factors relating to current and expected profitability, drydocking and expected capitalization of such costs, debt repayment schedules, and potential sources of replacement. As more fully disclosed in Note 1.3, management concluded that the Group will continue as a going concern entity.

(i) *Recognition of 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.

Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 22.

(j) *Application of ECL on Receivables and Advances to Related Parties*

The Group uses modified loss rate to calculate ECL for all financial assets at amortized cost other than advances to related parties. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, which is equal to the lifetime ECL.

For 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 advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. The management's assessment for possible impairment is based on the sufficiency of the related parties' 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.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

As of December 31, 2023 and 2022, the Group has provided allowance for impairment amounting to P1,063.3 million and P1,067.1 million, respectively (see Note 5).

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 below and in the succeeding pages.

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

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 end of the reporting period 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 6 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. There were no changes made in these accounting estimates in 2023 and 2022.

(e) *Fair Value Measurement of Vessels, Vessel Equipment and Investment Properties*

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 mostly engages the services of professional and independent appraiser, except for certain vessels which were valued by management. Valuations were made by applying the relevant methodologies and assumptions 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. In 2023 and 2022, the fair value of certain vessels was made in reference to the appraisal reports.

Investment property is measured using the cost model. The fair value disclosed in Note 27.4 to the consolidated financial statements is determined by the Group using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

A significant change in the inputs and assumptions in fair value measurement discussed in Note 27.4 may affect prices and the value of the assets.

(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.

(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 2.14). 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.

The Group recognized impairment losses on certain property and equipment amounting to P15.9 million, P624.4 million and P71.0 million in 2023, 2022 and 2021, respectively (see Note 9). Also, in 2022, the Group recognized impairment losses attributable to investment properties and goodwill amounting to P232.6 million and P63.9 million, respectively (see Notes 8 and 23).

(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.

(i) Fair Value Measurement of Stock Options

The Group estimates the fair value of the stock options by applying an option valuation model, taking into account the terms and conditions on which the stock options were granted. The estimates and assumptions used are presented in Note 20.5, which include, among other things, the option life, average standard deviation of share price returns and applicable risk-free investment rate. Changes in these factors can affect the fair value of stock options at grant date.

On October 28, 2022, the Company's BOD approved the change in the subscription price to P3.99 per share as stipulated in the amended Employee Stock Option Plan (the ESOP). This change was applied prospectively from the date of approval and resulted in an increase in share options expense totaling to P18.8 million in 2022 (see Note 20.5). There were no amendments made to the ESOP in 2023.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	<u>2023</u>	<u>2022</u>
Cash on hand and in banks	P 344,414,084	P 224,153,758
Short-term placements	<u>48,172,904</u>	<u>12,656,762</u>
	<u>P 392,586,988</u>	<u>P 236,810,520</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% in 2023, 2022 and 2021.

The balances of cash and cash equivalents as of December 31, 2023 and 2022 did not include cash in bank amounting to amount of P7.2 million and P5.3 million in 2023 and 2022, 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 7 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>Notes</u>	<u>2023</u>	<u>2022</u>
Trade receivables	9, 19.1		
Third parties		P 1,509,275,142	P 1,652,781,203
Related parties		64,184,585	73,199,255
Due from agencies		53,215,701	89,618,210
Advances to officers and employees		28,717,705	25,843,967
Claims receivables		4,779,384	4,602,387
Others		25,943,988	11,095,991
		1,686,116,505	1,857,141,013
Allowance for ECL		(1,063,260,048)	(1,067,091,982)
		<u>P 622,856,457</u>	<u>P 790,049,031</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 2023 and 2022 is shown below.

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year		P 1,067,091,982	P 1,059,923,358
Additional ECL during the year	15	95,276,386	41,872,781
Write offs during the year		(99,108,320)	(34,704,157)
Balance at end of year		<u>P 1,063,260,048</u>	<u>P 1,067,091,982</u>

Trade and other receivables are unsecured, usually settled within 30 to 60 days, 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.

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

Claims receivables include insurance claims from the retirement of certain vessels and 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.

Certain trade receivables amounting to P339.5 million and P404.9 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of the Group's interest-bearing loans [see Note 12.1(d) and 12.1(f.4)]. Portion of the trade receivables, which were used as collateral amounting to P240.6 million and P278.2 million was provided with impairment loss based on the application of the Group's ECL methodology as of December 31, 2023 and 2022, respectively.

6. INVENTORIES

This account, which are all stated at cost, includes the following:

	Note	2023	2022
Spare parts		P 141,515,670	P 106,832,938
Fuel and lubricants	19.2	84,311,925	116,928,857
Shipping supplies		40,046,800	37,403,387
Food, beverage and other supplies		<u>6,757,714</u>	<u>7,348,877</u>
		<u>P 272,632,109</u>	<u>P 268,514,059</u>

As of December 31, 2023 and 2022, 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 routine repair, maintenance or replacement of vessel that does not meet the definition of property and equipment in accordance with PAS 16, *Property, Plant and Equipment*.

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, 2023 and 2022, there are no inventories pledged as security for any of the Group's liabilities as of the end of each reporting period.

7. OTHER CURRENT ASSETS

The breakdown of this account as of December 31, 2023 and 2022 follows:

	Note	2023	2022
Advances to suppliers		P 499,987,908	P 379,211,063
Creditable withholding taxes		466,286,132	450,822,181
Input VAT		446,058,026	341,335,065
Deferred input VAT		412,132,136	350,547,890
Prepayments		200,589,971	226,389,374
Restricted cash	4	<u>6,825,054</u>	<u>4,960,770</u>
		<u>P 2,031,879,227</u>	<u>P 1,753,266,343</u>

Advances to suppliers pertains to the Group's advance payments for the purchases of goods and services, other than those capitalizable purchases, that are yet for delivery or to be performed to the Group.

Deferred input VAT pertains to the input VAT on services rendered to the Group that remains unpaid as of the end of each reporting period.

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

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Group [see Note 12.1(b.3)].

8. INVESTMENT PROPERTIES

The Group's investment properties include a parcel of land located at Brgy. Ligid-Tipas, Taguig City. This was acquired by the Group in the prior years for WSI's warehousing operations. Pursuant to the plan of the Group to venture into e-Commerce business, the management has deemed that the use of the properties is currently undetermined.

The gross carrying amounts and accumulated impairment losses of investment properties at the beginning and end of 2023 and 2022 are shown below.

	<u>Land</u>	<u>CIP</u>	<u>Total</u>
December 31, 2023			
Net carrying amount	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>
December 31, 2022			
Carrying amount	P 1,270,907,961	P 232,607,476	P 1,503,515,437
Accumulated impairment losses	<u>-</u>	<u>(232,607,476)</u>	<u>(232,607,476)</u>
Net carrying amount	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>

A reconciliation of the carrying amount of investment properties in 2023 and 2022 is as follows:

	<u>Land</u>	<u>CIP</u>	<u>Total</u>
Balance at January 1, 2023 and December 31, 2023	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>
Balance at January 1, 2022	P 1,199,699,961	P 232,607,476	P 1,432,307,437
Additions	71,208,000	-	71,208,000
Impairment losses	<u>-</u>	<u>(232,607,476)</u>	<u>(232,607,476)</u>
Net carrying amount	<u>P 1,270,907,961</u>	<u>P -</u>	<u>P 1,270,907,961</u>

In 2022, the management has decided to permanently cease the construction of the warehouse and write-off the related CIP amounting to P232.6 million. This was recognized as Impairment loss on investment properties under Other Income (Charges) account in the 2022 consolidated statement of profit or loss.

In addition, the Group acquired an additional lot within the same area amounting to P71.2 million in 2022. The outstanding liability arising from this transaction is presented as part of Trade and Other Payables in the 2023 and 2022 consolidated statements of financial position (see Note 13).

The property of the Group with net carrying amount of P1,270.9 million as of December 31, 2023 and 2022, respectively, was used as a collateral to secure payment of the Company's term loan [see Note 12.1(b.3)].

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 27.4.

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 2023 and 2022 are shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right of Use Assets	CIP	Total
December 31, 2023								
Cost or revalued amounts	P 213,761,703	P 29,662,452,335	P 187,132,367	P 233,428,856	P 178,866,690	P 3,615,407,688	P 210,895,053	P 34,301,944,692
Accumulated depreciation and amortization	-	(14,323,918,649)	(165,339,519)	(93,831,584)	(166,444,920)	(625,605,359)	-	(15,375,140,031)
Accumulated impairment losses	-	(786,344,855)	-	-	-	-	-	(786,344,855)
Net carrying amount	<u>P 213,761,703</u>	<u>P 14,552,188,831</u>	<u>P 21,792,848</u>	<u>P 139,597,272</u>	<u>P 12,421,770</u>	<u>P 2,989,802,329</u>	<u>P 210,895,053</u>	<u>P 18,140,459,806</u>
December 31, 2022								
Cost or revalued amounts	P 213,761,703	P 25,468,068,867	P 203,988,390	P 224,641,523	P 175,578,549	P 3,899,937,372	P 207,129,013	P 30,393,105,417
Accumulated depreciation and amortization	-	(10,251,521,274)	(164,676,189)	(76,678,607)	(159,329,139)	(552,886,436)	-	(11,205,091,645)
Accumulated impairment losses	-	(770,425,277)	-	-	-	-	-	(770,425,277)
Net carrying amount	<u>P 213,761,703</u>	<u>P 14,446,122,316</u>	<u>P 39,312,201</u>	<u>P 147,962,916</u>	<u>P 16,249,410</u>	<u>P 3,347,050,936</u>	<u>P 207,129,013</u>	<u>P 18,417,588,495</u>
January 1, 2022								
Cost or revalued amounts	P 213,761,703	P 23,720,570,615	P 206,319,488	P 241,458,310	P 168,035,859	P 3,813,704,635	P 211,371,960	P 28,575,222,570
Accumulated depreciation and amortization	-	(8,630,026,591)	(148,928,648)	(79,745,019)	(146,785,627)	(410,079,008)	-	(9,415,564,893)
Accumulated impairment losses	-	(126,323,308)	-	-	-	-	-	(126,323,308)
Net carrying amount	<u>P 213,761,703</u>	<u>P 14,964,220,716</u>	<u>P 57,390,840</u>	<u>P 161,713,291</u>	<u>P 21,250,232</u>	<u>P 3,403,625,627</u>	<u>P 211,371,960</u>	<u>P 19,033,334,369</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below.

	Land	Vessels and Vessel Equipment	Transportation Equipment	Building and Leasehold Improvements	Office Furniture, Fixture and Equipment	Right of Use Assets	CIP	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,446,122,316	P 39,312,201	P 147,962,916	P 16,249,410	P 3,347,050,936	P 207,129,013	P 18,417,588,495
Additions	-	439,785,509	1,178,571	5,270,506	7,404,690	17,843,959	172,359,763	643,842,998
Revaluation increment - net	-	839,224,129	-	-	-	-	-	839,224,129
Reclassification	-	320,485,186	-	-	-	(151,891,463)	(168,593,723)	-
Lease termination	-	-	-	-	-	(12,882,780)	-	(12,882,780)
Disposals - net	-	(377,008,890)	(4,935,487)	-	-	-	-	(381,944,377)
Impairment losses	-	(15,919,578)	-	-	-	-	-	(15,919,578)
Depreciation and amortization charges for the year	-	(1,100,499,841)	(13,762,437)	(13,636,150)	(11,232,330)	(210,318,323)	-	(1,349,449,081)
Balance at December 31, 2023, net of accumulated depreciation and amortization and impairment losses	<u>P 213,761,703</u>	<u>P 14,552,188,831</u>	<u>P 21,792,848</u>	<u>P 139,597,272</u>	<u>P 12,421,770</u>	<u>P 2,989,802,329</u>	<u>P 210,895,053</u>	<u>P 18,140,459,806</u>
Balance at January 1, 2022, net of accumulated depreciation and amortization and impairment losses	P 213,761,703	P 14,964,220,716	P 57,390,840	P 161,713,291	P 21,250,232	P 3,403,625,627	P 211,371,960	P 19,033,334,369
Additions	-	284,489,668	3,803,387	-	11,169,239	122,689,899	144,062,828	566,215,021
Revaluation increment - net	-	714,299,589	-	-	-	-	-	714,299,589
Reclassification	-	148,305,775	-	-	-	-	(148,305,775)	-
Lease termination	-	-	-	-	-	(18,863,680)	-	(18,863,680)
Disposals - net	-	-	(1,247,820)	-	-	-	-	(1,247,820)
Impairment losses	-	(624,441,740)	-	-	-	-	-	(624,441,740)
Depreciation and amortization charges for the year	-	(1,040,751,692)	(20,634,206)	(13,750,375)	(16,170,061)	(160,400,910)	-	(1,251,707,244)
Balance at December 31, 2022, net of accumulated depreciation and amortization and impairment losses	<u>P 213,761,703</u>	<u>P 14,446,122,316</u>	<u>P 39,312,201</u>	<u>P 147,962,916</u>	<u>P 16,249,410</u>	<u>P 3,347,050,936</u>	<u>P 207,129,013</u>	<u>P 18,417,588,495</u>

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

Name of Vessel	Date of Report	Net Appraised Values
M/Tug Fortis VI	February 24, 2024	P 47,645,000
M/Tug Dav Tug XI	February 19, 2024	21,872,000
MT Global Dominance	February 20, 2024	388,969,000
M/Tug Fortis VII	February 19, 2024	24,272,000
MV Asia Philippines	February 16, 2024	74,038,000
M/Tug Fortis X	February 14, 2024	49,959,000
MV San Nicolas of Myra	February 13, 2024	201,708,000
MV Starlite Tamaraw	February 8, 2024	28,772,000

Name of Vessel	Date of Report	Net Appraised Values	
MV Starlite Pacific	February 7, 2024	P	35,520,000
MV Trans-Asia 17	February 2, 2024		345,299,000
MT BMI Patricia	February 2, 2024		10,745,000
MT Chelsea Intrepid	February 2, 2024		24,559,000
MV Asia Pacific	January 31, 2024		71,160,000
MV Trans-Asia 10	January 31, 2024		321,747,000
MV Trans-Asia 2	January 31, 2024		130,186,000
MV Trans-Asia 16	January 30, 2024		213,601,000
MT Ernesto Uno	January 12, 2024		78,609,000
MT Chelsea Resolute	January 11, 2024		80,475,000
MT Great Princess	January 11, 2024		801,544,000
MT Maria (Chelsea Denise II)	January 10, 2024		440,000,000
MT Chelsea Jasaan	January 9, 2024		47,787,000
MV St. Emmanuel	January 4, 2024		100,000,000
MV St. Micah	January 4, 2024		103,000,000
M/Tug Orishima	January 3, 2024		8,000,000
M/Tug Fortis XI	January 3, 2024		61,000,000
M/Tug Fortis IX	January 3, 2024		76,000,000
MV Starlite Eagle	December 29, 2023		442,963,000
MT Chelsea Denise	December 29, 2023		181,000,000
MV Starlite Reliance	November 10, 2023		442,185,000
MV Starlite Stella Maris	November 10, 2023		533,652,000
MT Chelsea Excellence	November 9, 2023		117,000,000
MV Trans-Asia 19	November 6, 2023		758,740,000
Mt Chelsea Providence	September 20, 2023		1,816,640,000
MT Chelsea Charlize	September 18, 2023		204,800,000
M/Tug Fortis I	July 31, 2023		25,354,000
MT Chelsea Enterprise	April 22, 2023		96,500,000
MV Trans-Asia 15	March 10, 2023		444,314,000
MV Trans-Asia 8	March 10, 2023		99,866,000
MV Trans-Asia 18	March 10, 2023		522,532,000
M/Tug Fortis III	February 23, 2023		25,676,000
M/Tug Fortis V	February 23, 2023		36,886,000
M/Tug Fortis VII	February 23, 2023		27,314,000
MV St. Sealthiel	January 4, 2023		76,668,000
MV St. Jhudiel	January 4, 2023		67,068,000
MV St. Camael	January 4, 2023		193 672,000
MV St. Bracquel	January 3, 2023		72,430,000
MV St. Uriel	January 3, 2023		48,212,000
MV St. Sariel	January 3, 2023		192,449,000
MV TA 20	December 30, 2022		972,546,000
MV Starlite Venus	December 30, 2022		926,106,000
Starlite Sprint 1	December 30, 2022		116,815,000
MV Starlite Annapolis	December 30, 2022		77,415,000
M/Tug Fortis XII	December 23, 2022		43,234,000
MT Chelsea Endurance	December 8, 2022		328,000,000
MV Starlite Jupiter	November 29, 2022		52,974,000
MV Starlite Saturn	November 28, 2022		455,000,000
MV Starlite Pioneer	November 28, 2022		413,975,000
MT Global Cherylyn	November 4, 2022		851,253,000
M/Tug Pindasan	October 24, 2022		46,600,000
M/Tug Samal	October 24, 2022		44,260,000
M/Tug Sigaboy	October 24, 2022		32,032,000
MV Trans-Asia 3	February 21, 2022		196,053,000
MV Trans-Asia 12	February 17, 2022		152,950,000
M/Tug Fortis XV	February 16, 2022		21,819,000
M/Tug Fortis I	February 16, 2022		30,453,000

<u>Name of Vessel</u>	<u>Date of Report</u>		<u>Net Appraised Values</u>
MV Starlite Salve Regina	February 14, 2022	P	742,782,000
M/Tug Fortis VIII	February 11, 2022		39,164,000
MV Starlite Stella Del Mar	January 7, 2022		535,671,000
MV Starlite Archer	January 6, 2022		487,634,000
M/Tug Fortis II	September 15, 2021		39,071,000

Revaluation increments and decrements arising from the revaluations above were recognized directly in the Equity section under Revaluation Reserves account (see Note 20.2).

Management believes that there is no significant change in the fair values of the Group's vessels since the dates of their last appraisals. Meanwhile, M/Tug Fortis II is still undergoing extended drydocking as of December 31, 2023; hence, no latest appraisal is available.

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cost	P18,024,650,877	P 18,212,478,021
Accumulated depreciation	(6,014,861,647)	(6,248,642,622)
Accumulated impairment losses	(786,344,855)	(770,425,277)
Net carrying amount	<u>P11,223,444,375</u>	<u>P 11,193,410,122</u>

Additional impairment loss recognized during the year is presented as Impairment losses on property and equipment under Other Income (Charges) in the consolidated statements of profit or loss (see Note 17).

Impairment loss amounting to P15.9 million was recognized in 2023 as a result of the latest appraisal of vessels and is presented as Impairment losses on property and equipment in the 2023 consolidated statement of profit or loss.

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

	<u>Notes</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cost of sales and services	14	P 1,265,327,437	P 1,175,522,855	P 1,370,544,243
Other operating expenses		<u>84,121,644</u>	<u>76,184,389</u>	<u>110,264,050</u>
	15	<u>P 1,349,449,081</u>	<u>P 1,251,707,244</u>	<u>P 1,480,808,293</u>

Certain vessels of the Group with a total net carrying amount of P12,168.8 million and P11,770.9 million as of December 31, 2023 and 2022, respectively, were used to secure the payment of certain interest-bearing loans and borrowings (see Note 12). There were no capitalized borrowing costs in 2023 and 2022.

In September 2023 and November 2023, PN-X-Chelsea disposed two vessels with a total net book value of P377.0 million for a total consideration of \$3.8 million (P211.7 million) in which PN-X-Chelsea recognized a loss on sale amounting to P162.9 million and is presented as part of Loss on sale of property and equipment under the Other Income (Charges) account in the 2023 consolidated statement of profit or loss (see Note 17.4).

In 2023, the finance lease for certain vessel equipment of Trans-Asia ended. As a result, the related right-of-use asset which had a carrying value of P151.9 million was reclassified to Vessel and vessel equipment.

In 2022, certain vessel of the Group was caught on fire with a carrying amount of P566.5 million. The Group provided a full impairment loss, which was presented as part of Impairment losses on property and equipment under Other Income (Charges) account in the 2022 consolidated statement of profit or loss. As of date of issuance of the consolidated financial statements, the recoverable amount from insurance claims is yet to be determined by the insurance company.

In 2021, the Group sold a floating dock previously recognized under CIP to a third party for a total consideration of P232.1 million and recognized a loss on sale of the property and equipment amounting to P141.1 million (see Note 17.4). The outstanding receivable amounting to P142.9 million is presented as part of Trade receivables under Trade and other receivables account in the 2021 consolidated statement of financial position (see Note 5). In the same year, the Group also sold certain vessel and vessel equipment to third parties for a total consideration of P358.1 million and recognized a loss on sale of the property and equipment amounting to P354.9 million (see Note 17.4). Further in 2021, a parcel of land and construction in progress amounting to P1,199.7 million and P232.6 million, respectively, were reclassified from property and equipment to investment property (see Note 8). There was no similar transaction in 2023 and 2022.

Certain vessels of the Group with a total net carrying amount of P875.9 million and P714.3 million were temporarily idle and laid up as of December 31, 2023 and 2022, respectively.

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>2023</u>	2022 (As restated - see Note 2)
Associates:		
DHC:		
Cost	P 1,041,666,665	P 1,041,666,665
Accumulated equity share in the total comprehensive income from previous year	(<u>1,041,666,665</u>)	(<u>1,041,666,665</u>)
	<u>-</u>	<u>-</u>
Oroport:		
Cost	419,111,213	419,111,213
Accumulated equity share in the total comprehensive income from previous year	20,131,299	5,146,221
Equity share in net loss	-	14,985,078
Disposal	(<u>439,242,512</u>)	-
	<u>-</u>	<u>439,242,512</u>
Jointly controlled entity – Meridian Maritime Training Center (Meridian)	<u>-</u>	<u>81,001,440</u>
	<u>P -</u>	<u>P 520,243,952</u>

10.1 Investment in Associates

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, 2022 and is presented as Subscription payable under Trade and Other Payables in the consolidated statements of financial position (see Note 13). In 2023, a third party subscribed to the additional common shares in DHC, causing the dilution of the Group's effective ownership from 10.54% in 2022 to 8.59%. Management assessed that the Group still exercises significant influence over DHC; hence, is still recognized as an investment in associate [see Note 3.1(d)].

In 2023, the Group made prior period adjustments that resulted in retrospective restatement of the investments in associates and a joint venture account to recognize CDC's acquisition of 367,692 common shares of Oroport from its previous owners on August 1, 2021 equivalent to 30.27% interest in Oroport for a total amount of P419.1 million [see Note 2.1(b)].

On November 20, 2023, CDC divested its stake in Oroport for a total consideration of P535.3 million, in which the Company recognized a gain on sale amounting to P96.0 million and is presented as Gain on sale of investment in associate in the 2023 consolidated statement of profit or loss.

The carrying amount of the identifiable assets and liabilities of the associates upon acquisition approximates their respective fair values.

Presented below are the financial information of the Group's associates as of December 31, 2023 and 2022 (in thousands).

	<u>DHC</u>	<u>Oroport</u>	<u>Total</u>
<u>December 31, 2023</u>			
Total current assets	P 5,849,819	P -	P 5,849,819
Total non-current assets	<u>206,215,351</u>	<u>-</u>	<u>206,215,351</u>
Total assets	<u>P 212,065,170</u>	<u>P -</u>	<u>P 212,065,170</u>
Total current liabilities	P 73,288,304	P -	P 73,288,304
Total non-current liabilities	<u>175,199,554</u>	<u>-</u>	<u>175,199,554</u>
Total liabilities	<u>P 248,487,858</u>	<u>P -</u>	<u>P 248,487,858</u>
Total revenues	<u>P 11,049,783</u>	<u>P -</u>	<u>P 11,049,783</u>
Net loss	<u>P 19,677,782</u>	<u>P -</u>	<u>P 19,677,782</u>
<u>December 31, 2022</u>			
Total current assets	P 5,719,445	P 129,352	P 5,848,797
Total non-current assets	<u>187,193,137</u>	<u>269,687</u>	<u>187,462,824</u>
Total assets	<u>P 192,912,582</u>	<u>P 399,039</u>	<u>P 193,311,621</u>
Total current liabilities	P 199,728,080	P 97,482	P 199,825,562
Total non-current liabilities	<u>20,143,313</u>	<u>59,316</u>	<u>20,202,629</u>
Total liabilities	<u>P 219,871,393</u>	<u>P 156,798</u>	<u>P 220,028,191</u>
Total revenues	<u>P 7,235,722</u>	<u>P 655,042</u>	<u>P 7,890,764</u>
Net income (loss)	(P 24,973,966)	<u>P 49,504</u>	(P 24,924,462)

DHC is in net capital deficiency as of December 31, 2023 and 2022.

In 2022, equity share in net income from the associates amounted to P15.0 million while in 2021, equity share in net loss from the associates amounted to P887.1 million (nil in 2023) and is recognized as Share in net income (loss) of associates under the Other Income (Charges) – net section in the consolidated statements of profit or loss. No additional share in losses recognized from the investment in DHC in 2023 and 2022 as the carrying value of the investment in DHC is nil.

No dividends were received from the Group's associates in 2023 and 2022. The Group's associates are private companies; therefore, no quoted market prices are available for these shares.

10.2 Investment in a Joint Venture

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.

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 in 2023, 2022 and 2021.

In 2023, management terminated the agreement with Meridian. Consequently, CSC recognized a full impairment of its investment in the joint venture amounting to P81.0 million and is presented as Impairment loss on Investment in Joint Venture under Other Income (Charges) account in the 2023 consolidated statement of profit or loss.

11. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	2023	2022 (As restated - see Note 2)
Advances to suppliers	22.5	P 527,742,418	P 352,477,228
Deferred input VAT		114,906,491	92,727,424
Deferred charges		56,401,126	59,953,524
Security deposits	19.3	50,355,290	47,360,694
Software, net of amortization		30,464,845	32,855,126
Restricted cash	4	335,112	335,112
		P 780,205,282	P 585,709,108

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

Deferred input VAT pertains to the input VAT on services rendered to the Group that remains unpaid as of the end of each reporting period.

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

Software refers to computer software licenses and software development costs, net of amortization. A reconciliation of the carrying amount of software at the beginning and end of 2023 and 2022 is shown below.

	Note	2023	2022
Balance at beginning of year		P 32,855,126	P 36,104,006
Additions		1,300,447	746,702
Amortization during the year	15	(3,690,728)	(3,995,582)
Balance at end of year		<u>P 30,464,845</u>	<u>P 32,855,126</u>

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:

	Note	2023	2022 (As restated - see Note 2)
Current:			
Bank loans	12.2	P 3,008,112,614	P 4,219,625,534
Term loans	12.1	624,924,006	1,260,279,238
Lease liabilities	12.4	202,359,755	233,482,323
Mortgage loans	12.3	<u>20,297,990</u>	<u>9,338,570</u>
		<u>3,855,694,365</u>	<u>5,722,725,665</u>
Non-current:			
Term loans	12.1	10,370,290,499	9,357,961,025
Lease liabilities	12.4	2,536,122,093	2,701,613,851
Mortgage loans	12.3	153,709,019	174,770,738
Bank loans	12.2	<u>122,510,363</u>	<u>113,762,510</u>
		<u>13,182,631,974</u>	<u>12,348,108,124</u>
		<u>P17,038,326,339</u>	<u>P18,070,833,789</u>

The Group has taken necessary steps to manage the impact of the COVID-19 pandemic on its financial condition, including negotiating with banks for the refinancing, extension, or temporary relief of its loan obligations as part of the Group's LME. Relative to this, the Group was able to agree with banks restructuring or modification of terms of certain loans.

For those that qualify as a significant loan modification, the Group recognized gain on loan modification amounting to P241.5 million and P134.4 million in 2023 and 2022, respectively, which is presented under Other Income (Charges) in the consolidated statements of profit or loss [see Note 12.1(c.2), (c.3), (c.4), (c.5), (e), (f.1), (f.2), (f.3), (f.4), (f.5), (g), (i) and (j)]. There was no similar transaction in 2021.

In October 2023, the Company entered into subscription and debt conversion agreements with certain private institutional lenders. As a result, the outstanding loan amounting to P233.4 million has been derecognized and converted through the issuance of 77,791,000 shares of the Company (see Note 20.1).

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2023, 2022 and 2021 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, 2023, as restated - see Note 2.1(b)	P 10,618,240,263	P 4,333,388,044	P 184,109,308	P 2,935,096,174	P 18,070,833,789
Cash flows from financing activities:					
Additions	425,000,000	-	-	-	425,000,000
Repayments	(245,248,295)	(271,392,067)	(11,026,299)	(183,433,720)	(711,100,382)
	<u>179,751,705</u>	<u>(271,392,067)</u>	<u>(11,026,299)</u>	<u>(183,433,720)</u>	<u>(286,100,382)</u>
Non-cash financing activities:					
Extinguishment of loan	(335,288,970)	-	-	-	(335,288,970)
Gain on debt modification - net	(241,501,013)	-	-	-	(241,501,013)
Debt to equity conversion	-	(233,373,000)	-	-	(233,373,000)
Reclassification	774,851,371	(698,000,000)	-	-	76,851,371
Termination of lease	-	-	-	(19,074,562)	(19,074,562)
Additions	-	-	924,000	14,665,944	15,589,944
Restatement of foreign currency denominated loans	(838,850)	-	-	(8,771,987)	(9,610,837)
	<u>197,222,537</u>	<u>(931,373,000)</u>	<u>924,000</u>	<u>(13,180,606)</u>	<u>(746,407,068)</u>
Balance at December 31, 2023	<u>P 10,995,214,505</u>	<u>P 3,130,622,977</u>	<u>P 174,007,009</u>	<u>P 2,738,481,848</u>	<u>P 17,038,326,339</u>
Balance as of January 1, 2022, as restated - see Note 2.1(b)	P 10,755,183,689	P 4,524,721,724	P 192,608,573	P 2,907,119,012	P 18,379,632,998
Cash flows from financing activities:					
Repayments	(214,181,943)	(154,435,646)	(8,499,265)	(169,121,445)	(546,238,299)
	<u>(214,181,943)</u>	<u>(154,435,646)</u>	<u>(8,499,265)</u>	<u>(169,121,445)</u>	<u>(546,238,299)</u>
Non-cash financing activities:					
Additions	119,747,353	14,279,581	-	122,689,899	256,716,833
Gain on debt modification - net	(130,678,169)	(3,677,615)	-	-	(134,355,784)
Restatement of foreign currency denominated loans	29,190,691	-	-	95,797,478	124,988,169
Termination of lease	-	-	-	(21,388,771)	(21,388,771)
Amortization of premium on loans payable	11,478,642	-	-	-	11,478,642
Reclassification	47,500,000	(47,500,000)	-	-	-
	<u>77,238,517</u>	<u>(36,898,034)</u>	<u>-</u>	<u>197,098,607</u>	<u>237,439,090</u>
Balance at December 31, 2022, as restated - see Note 2.1(b)	<u>P 10,618,240,263</u>	<u>P 4,333,388,044</u>	<u>P 184,109,308</u>	<u>P 2,935,096,174</u>	<u>P 18,070,833,789</u>
Balance as of January 1, 2021	P 9,986,923,415	P 4,868,416,676	P 199,626,552	P 1,952,004,583	P 17,006,971,226
Cash flows from financing activities:					
Additions	217,757,200	68,524,356	-	-	286,281,556
Repayments	(172,341,547)	(112,219,308)	(7,017,979)	(135,397,267)	(426,976,101)
	<u>45,415,653</u>	<u>(43,694,952)</u>	<u>(7,017,979)</u>	<u>(135,397,267)</u>	<u>(140,694,545)</u>
Non-cash financing activities:					
Additions	335,288,970	-	-	1,154,912,900	1,490,201,870
Reclassification	374,580,207	(300,000,000)	-	-	74,580,207
Termination of lease	-	-	-	(64,401,204)	(64,401,204)
Restatement of foreign currency denominated loans	12,975,444	-	-	-	12,975,444
	<u>722,844,621</u>	<u>(300,000,000)</u>	<u>-</u>	<u>1,090,511,696</u>	<u>1,513,356,317</u>
Balance at December 31, 2021, as restated - see Note 2.1(b)	<u>P 10,755,183,689</u>	<u>P 4,524,721,724</u>	<u>P 192,608,573</u>	<u>P 2,907,119,012</u>	<u>P 18,379,632,998</u>

12.1 Term Loans

The details of the Group's term loans as of December 31, 2023 and 2022 are as follows:

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2023	2022 (As restated - see Note 2)
China Banking Corporation (CBC)		Real Estate Mortgage (REM), Continuing Suretyship, MT Chelsea Great Princess, MT Chelsea Charlize, MT Chelsea Resolute, MT Chelsea Enterprise, MT Chelsea Excellence, MT Chelsea Ernesto Uno, MT Chelsea Jasaan				
	(b.1)	Assignment of receivables	7 years	5.00%	P 1,926,396,728	P 1,926,396,728
Development Bank of the Philippines (DBP)		MT Chelsea Providence, MT Chelsea Cherylyn, MV Starlite Stella Maris, Corporate/Continuing Suretyship				
	(f.4)		15 years	5.00%	1,818,060,107	1,820,060,107
Philippine Business Bank (PBB)	(c.2)	MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	823,893,366	855,856,717
CBC	(b.3)	REM	15 years	7.25%	800,000,000	800,000,000
Amalgamated Investment Bancorporation (AIB)	(i)	Unsecured	9 years	6.48%	576,851,371	-
DBP	(f.3)	Trans - Asia 16, 17 and 18 Corporate/Continuing Suretyship	15 years	5.00%	549,807,588	549,807,588
PBB	(c.4)	MV Salve Regina	8 years	3.00% - 7.00%	467,888,754	491,555,017
DBP	(f.1)	Corporate/Continuing Suretyship	15 years	5.00%	450,514,006	450,514,006
PBB	(c.1)	MV Pioneer, MV Reliance MT Chelsea Dominance	8 years	3.00% - 7.00%	442,696,689	442,696,689
Asia United Bank (AUB)	(d.2)	MTug Fortis I, MTug Fortis II MTug Fortis III, MTug Fortis V MTug Fortis VI, MTug Fortis VII MTug Fortis IX, MTug Fortis X	6 years	4.00%	425,000,000	-
DBP	(f.2)	Corporate/Continuing Suretyship	15 years	5.00%	415,100,000	496,802,412
BDO Unibank, Inc. (BDO)		Trans - Asia 1, 8, 9 and 10, CY3				
	(a)	REM, Continuing suretyship	6 years	6.50%	383,548,077	386,207,130
PBB	(c.3)	MV Stella Del Mar	8 years	3.00% - 7.00%	314,848,713	331,727,800
DBP	(f.5)	Corporate/Continuing Suretyship	15 years	5.00%	300,086,565	300,086,565
Mega International Commercial Bank Co. (MICBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
CTBC Bank (Phils) Inc. (CTBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Union Bank of the Philippines (UB)	(j)	Continuing Suretyship	9 years	3.00%	198,000,000	-
First Commercial Bank, Ltd. (FCB)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	165,000,000	165,000,000
CBC	(b.2)	Trans - Asia 2, 3, 5, 12 and 15	10 years	5.75%	161,393,098	162,407,407
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	105,074,977	105,074,977
PBB	(c.5)	Pledge of shares of stocks	8 years	11.00%	52,788,650	137,494,000
AUB	(d.1)	MTug Fortis IX, MTug Fortis X, Assignment of receivables	7 years	8.02%	23,049,963	30,190,922
AUB	(d.1)	MTug Fortis VI, MTug Fortis VII	7 years	8.11%	20,845,468	31,269,933
AUB	(d.1)	MTug Fortis VIII, Assignment of receivables	7 years	8.11%	20,845,468	31,269,933
	(d.1)	MTug Fortis III and MTug Fortis V, Assignment of receivables	7 years	5.56%	7,613,562	18,083,329
Makabayan Holdings, Inc. (MHI)	(k)	Oroport Shares	6 months	5 to 15%	-	335,288,970
8H Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	-	105,225,000
					11,170,957,683	10,684,245,297 ¹
Net premium (discount) on loans payable					(175,743,178)	(66,005,034)
					P 10,995,214,505	P 10,618,240,263

(a) Term Loan Agreement (TLA) with BDO - Trans-Asia - Trans-Asia 1, 8 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. Principal and interest payments on these loans are made monthly. Additional loans were made from BDO amounting to P243.5 million and P166.0 million in 2016 and 2017, respectively, with an interest rate of 4.25% to 5.00% per annum. Principal payments are made monthly with a grace period of one year and interest on these loans is payable monthly in arrears.

In 2020, Trans-Asia and BDO amended the existing loan agreement, revising the interest payment schedules in which 40% of all unpaid interest as of July 30, 2020 were to be paid equally without interest on interest between August and December 2020 and the remaining 60% would be paid in equal monthly basis with interest on interest from January 2021 to June 2021.

On Sept 8, 2021, Trans-Asia and BDO agreed on the second amendment of the loan agreement wherein the deferred principal and principal due from June to July 2021 be added and paid in the December 2021 and January 2022 repayment schedules.

On June 20, 2022, Trans-Asia and BDO amended the existing loan agreements, revising the previously approved terms of the preceding loans wherein BDO extended the maturity dates of the loans for six years, inclusive of a grace period of one year reckoning at the beginning of 2022, provided a sculpted quarterly principal repayment, and reduced interest rates for the first two years with a provision for a recapture rates towards the end of the loans.

The loan is secured by the same properties as mentioned in the initial bank loan with chattel mortgage of certain vessels amounting to P457.8 million and P223.4 million as of December 31, 2023 and 2022, respectively (see Note 9). The loan is also secured by a continuing suretyship by the chairman of the BOD of the Company and a real estate property owned by Trans-Asia with a carrying amount of P10.3 million in December 31, 2023 and 2022, respectively (see Note 9). These loans do not contain any financial covenants.

(b) TLA or OLSA with CBC

b.1. CSC – CSC's outstanding shares

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 19.9(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.

On January 23, 2018, the Company's BOD approved the transfer of the loan to CSC.

On October 1, 2020, the bank approved CSC's request for the refinancing of outstanding loan obligations of CSC for a total of P1.9 billion, including unpaid interest. The principal payments begin on the 3rd anniversary with the following sculpted repayment schedule: year 3 – 5%; year 4 – 10%; year 5 – 20%; year 6 – 25%; and year 7 – 40%. The restructured loan is subject to annual interest rate of 6.75%.

The restructured loan is secured by the same properties as mentioned in the initial bank loan with chattel mortgage of certain vessels amounting to P1,416.9 million and P1,637.8 million as of December 31, 2023 and 2022, respectively. The loan is also secured by a continuing suretyship by the Company and Parent Company, and assignment of certain receivables amounting to P250.2 million and P333.0 million as of December 31, 2023 and 2022, respectively (see Note 5). The agreement requires CSC to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of not less than 1:00 in its consolidated financial statements.

b.2. Trans – Asia – MV Asia Philippines and MV Asia Pacific

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. These loans do not contain any financial covenants.

Certain vessels with a net carrying amount of P228.6 million and P134.0 million as of December 31, 2023 and 2022, respectively, was used as collateral to secure the payment of these loans (see Note 9).

b.3. 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, 2023 and 2022, WSI has no loan drawdowns and CLC has total drawdown amounting to P800.0 million from the term loan facility. The agreement requires CLC, in its consolidated financial statements, to maintain debt-to-equity ratio of not more than 3.00:1.00 and DSCR of not less than 1:25.

The land of the Company, classified under Investment properties in the consolidated statements of financial position, with net carrying amount of P1,270.9 million as of December 31, 2023 and 2022 was used as a collateral to secure payment of this loan (see Notes 8 and 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, 7, 4 and 11).

(c) TLA with PBB

c.1. PNx – Chelsea – 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 do not include any financial covenants.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of PNX-Chelsea into an eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower interest rates for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

The restructured loans are secured by a chattel mortgage on MT Chelsea Endurance and MT Chelsea Dominance with net carrying amounts totalling P694.5 million and P856.6 million, as of December 31, 2023 and 2022, respectively (see Note 9).

c.2. SFI – MV Eagle, MV Archer and MV Saturn

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 financial covenants.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SFI into a 8-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower annual interest rate for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

Certain vessels of Starlite with net carrying amounts of P1,228.2 million and P1,201.5 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of these loans (see Note 9).

c.3. SPFI – MV Stella Del Mar

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 financial covenants.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SPFI into a eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower annual interest rate for 2 years, collected quarterly in arrears, to be recaptured annually until the loan matures, with annual repricing based on BVAL plus a fixed interest rate beginning on the third year.

The vessel of SPFI with net carrying amounts of P510.7 million and P529.3 million as of December 31, 2023 and 2022, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

c.4. SGFI – MV Salve Regina

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 7.50% 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 financial covenant.

On June 24, 2022, PBB approved the restructuring of the outstanding loans and unpaid interests of SGFI into an eight-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower annual interest rate for two years, collected quarterly in arrears, to be recaptured annually until the loan matures, with annual repricing based on BVAL plus a fixed interest rate beginning on the 3rd year.

The vessel of SGFI with net carrying amounts of P742.9 million and P745.7 million as of December 31, 2023 and 2022 was used as a collateral to secure the payment of this loan (see Note 9).

c.5. CLC – MV Trans-Asia 21

On May 2021, the Company entered into a loan facility with PBB amounting to \$3.5 million to finance the Company's equity due on MV Trans-Asia 21. The loan is subject to annual interest rate of 10.0% and is payable on a quarterly basis up to the end of third year.

On August 12, 2022, PBB and the Company has amended its MOA in which the principal repayment will be on a staggered basis commencing at the date of amendment until 2023 with annual interest rate of 11.0%. The loan does not include any financial covenant.

The loan is secured by a deed of pledge of shares of stock by Udenna and the Company with a net book value of P135.7 million and P178.5 million as of December 31, 2023 and 2022, respectively [see Note 19.9(a)].

(d) TLA with AUB

d.1 FTC – Mtug Fortis III, Mtug Fortis V, Mtug Fortis VI, Mtug Fortis VII, Mtug Fortis VIII, Mtug Fortis IX and Mtug Fortis X

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.

On January 16, 2020, FTC obtained additional interest-bearing loans amounting to P47.9 million from the same bank to partially refinance the acquisition of Mtug Fortis IX and Mtug Fortis X. The loan bears fixed interest rate of 7.07% and the principal is payable in 28 quarterly installments.

Certain trade receivables amounting to P44.9 million and P41.6 million as of December 31, 2023 and 2022, 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 P220.8 million and P240.1 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of these loans (see Note 9). The loans do not include any financial covenants.

d.2 SFI

On October 27, 2023, SFI obtained interest-bearing loans amounting to P425.0 million to support its working capital requirement. The loan bears fixed interest rate of 4.0% and the principal is payable in 72 months in equal monthly installment with grace period of one year.

Certain tugboats of FTC with net carrying amount of P235.6 million as of December 31, 2023 were used as collateral to secure the payment of these loans. The loan does not include any financial covenants.

(e) 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 repricing of three-month PDST rate plus 3.3% spread 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.

On May 27, 2021, CTBC, MICBC, RBC and FCB has approved the one-year extension of principal due from 2021 to 2022 including the non-application of the required financial covenants during the extension period.

On November 15, 2022, CTBC, MICBC, RBC and FCB approved restructuring of the outstanding loans of Trans-Asia into a five-year term loan, inclusive of two years grace period on principal collection. The restructured loan bears lower interest rate for the first year, collected quarterly in arrears, to be recaptured annually on the 5th year, with annual repricing based on BVAL plus a fixed interest rate beginning on the 3rd year. The principal is payable on installment based on the outstanding principal amount from the amended date as follows; 0% on the first year, 1% on second year, 2% on third, 7% on fourth and balloon payment at the end of the fifth year.

The loan is secured by Trans-Asia shares with a carrying value of P525.0 million, a corporate guarantee by the Parent Company and individual surety of the Company's Chairman of the BOD [see Note 19.9(a)].

(f) TLA with DBP

f.1. SFI – MV Pioneer and MV Reliance

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.

On May 23, 2023, DBP approved the waiver of SFI's compliance with the current ratio for 2023 up to its maturity, meanwhile, compliance with the debt-to-equity ratio and DSCR was temporary waived for 2023 only.

On October 24, 2023, DBP and SFI amended the loan agreements in 2015 and 2016 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but SFI will only pay 3% p.a., and the 2% is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread with a floor rate of 5% per annum, reviewable annually.

The amendment in the agreement also requires Starlite to maintain a debt-to-equity ratio of 2.33:1.00 starting the year 2029 up to the remaining term of the loan and a DSCR of at least 1.00 starting the year 2024.

A corporate suretyship by the Company and certain vessels of Starlite with net carrying amounts of P806.6 million and P644.7 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of these loans (see Note 9).

f.2. PNX-Chelsea – MV San Pedro Calungsod, MV San Lorenzo Ruiz Uno and MV St. Nicholas of Myra

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. The agreement requires PNX-Chelsea to maintain debt-to-equity ratio of not more than 2.34:1.00.

On May 23, 2023, DBP approved the waiver of PNX's compliance with the financial covenants for 2023 up to its maturity on March 26, 2033.

On October 24, 2023, DBP and PNX amended the loan agreement in 2018 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first three years is fixed at 5.0% per annum, but PNX-Chelsea will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus spread with a floor rate of 5% per annum, reviewable annually.

Certain vessels of PNX-Chelsea with net carrying amounts of P205.9 million and P613.8 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of these loans (see Note 9). The restructured loan is also secured by a continuing suretyship by the Company and chairman of the BOD of the Company.

f.3. Trans-Asia – MV Trans-Asia 16, 17 and 18

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.

On May 23, 2023, DBP approved the waiver of Trans-Asia's compliance with the current ratio for 2023 up to its maturity, meanwhile, compliance with the debt-to-equity ratio and DSCR was temporarily waived for 2023 only.

On October 24, 2023, DBP and Trans-Asia amended the loan agreement in 2018 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but Trans-Asia will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

The amendment in the agreement also requires Trans-Asia to maintain a debt-to-equity ratio of 2.33:1.00 starting year 2031 up to the remaining term of the loan, and DSCR of at least 1.00 starting the year 2024.

Certain vessels of Trans-Asia with net carrying amounts of P1,062.8 million and P882.9 million as of December 31, 2023 and 2022, respectively, were used as collateral to secure the payment of these loans (see Note 9). The restructured loan is also secured by a continuing suretyship by the Company and chairman of the BOD of the Company.

f.4. CSC – MT Chelsea Providence

On December 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.

On March 28, 2021, DBP approved the CSC's request for the refinancing of outstanding loan obligations of CSC for a total of P1.8 billion, including unpaid interest. The principal payments begin on the third anniversary with annual interest rate of 6.50%. No gain/loss on loan restructuring is recognized as there is no substantial modification of terms under PFRS 9.

On August 15, 2023, DBP approved the waiver of CSC's compliance with the financial covenants for 2023 up to its maturity on December 31, 2035.

On October 24, 2023, DBP and CSC amended the restructuring agreement in 2021 in which the former approved the sculpted principal repayment of the outstanding principal amount beginning in 2023 until year 14. Interest for the first 3 years is fixed at 5.0% per annum, but CSC will only pay 3% p.a. and the 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

Certain vessels of CSC and SGFI with net carrying amount of P3,162.6 million and P2,823.5 as of December 31, 2023 and 2022, respectively, was used as collateral to secure the payment of these loans (see Note 9). Certain trade receivables amounting to P44.4 million and P30.3 million as of December 31, 2023 and 2022, respectively, were assigned to secure the payment of these interest-bearing loans (see Note 5).

f.5. 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, payable 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. Saniel and MV St. Camael. 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.

On May 23, 2023, DBP approved the waiver of SFFC's compliance with the debt-to-equity ratio for 2023.

On October 24, 2023, DBP and SFFC amended the loan agreement in 2016 in which the former approved the principal repayment of the outstanding principal amount beginning in 2025 in sculpted quarterly amortizations to commence at the end of the 1st quarter after the two-year grace period until fully paid. Interest for the first 3 years is fixed at 5.0% per annum, but SFFC will only pay 3% p.a. and 2% p.a. is amortized over three years starting on the 4th year, without interest on interest. The interest for the 4th year and onwards is fixed for one year based on a 1-year BVAL rate plus a spread, with a floor rate of 5% per annum, reviewable annually.

Certain vessels of SFFC with net carrying amount of P370.1 million and P386.1 million as of December 31, 2023 and 2022, respectively, was used as collateral to obtain this loan. The restructured loan is also secured by a continuing suretyship by the Company and the Chairman of the BOD of the Company.

(g) 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 agreement requires Starlite to maintain debt-to-equity ratio of not more than 5.50:1.00 and current ratio of not less than 1.00.

On July 24, 2023, Starlite entered into a loan restructuring agreement with RCBC to restructure its outstanding loan amounting to P105.1 million. The restructured loan bears lower annual interest rate applicable for the first three years, to be recaptured annually until year 5. The principal is payable on graduated amounts with balloon payment on the last principal repayment date and inclusive of 2 2-year grace period from July 2022. The restructured loan does not include any financial covenant.

The vessel of Starlite with net carrying amounts of P129.8 million and P123.68 million as of December 31, 2023 and 2022, respectively, was used as a collateral to secure the payment of this loan (see Note 9).

(h) TLA with 8H Capital - CDC

On July 2021, CDC entered into a loan agreement with 8H Capital amounting to \$2.0 million with a term of five years, inclusive of one-year grace period, payable to 16 equal quarterly installments to commence at the end of fifth quarter from the date of drawdown, with a prevailing interest rate of 9% per annum for the first year, and 12% per annum thereafter until the maturity date. The loan is guaranteed by the CLC and includes covenants as to restriction on additional indebtedness of CDC, among others. Such covenant has been breached due to an additional loan obtained by CDC [see Note 12.1(k)]. As a result, in 2022 and 2021, CDC reclassified the non-current portion of the loan to current amounting to P77.2 million and P95.2 million, respectively [see Note 2.1(b)]. The loan has been fully settled in 2023.

(i) TLA with AIB - CLC

On March 31, 2023, CLC entered into a term loan agreement with AIB to restructure the Company's outstanding bank loan and unpaid interest amounting to P500.0 million and P60.4 million, respectively (see Note 12.2). The restructured loan bears lower annual interest rate applicable for year 1, collected quarterly in arrears, to be recaptured at a target rate in year 9, with annual repricing based on BVAL plus a fixed interest rate ending on the 3rd year. The principal is payable on installment based on the outstanding principal amount from the amended date in sculpted repayments until the maturity of the loan. The loan does not include any financial covenant.

(j) TLA with UB – CSC

On April 18, 2023, CSC entered into a term loan agreement with UB to restructure the Company's outstanding bank loan amounting to P198.0 million (see Note 12.2). The restructured loan bears an annual interest rate of 3.00% applicable for year 1, collected quarterly in arrears, to be recaptured with a target rate of 10.00% per annum in year 9. The principal is payable on installment based on the outstanding principal amount from the amended date in sculpted repayments until the maturity of the loan. The loan does not include any financial covenant.

(k) OLSA with MHI - CDC

In 2023, the Group made prior period adjustments to recognize a loan obtained by CDC on July 30, 2021 with MHI amounting to P335.3 million which was used to finance the acquisition of 367,692 shares of stock of Oroport [see Notes 2.1(b) and 10.1]. The loan is payable within six months from the date of the agreement. The loan bears an interest rate of 5.00% per annum until maturity. Overdue principal or amount shall be subject to 15% interest per annum.

On November 20, 2023, the outstanding loan of P335.3 million was settled as part of the consideration in the disposal of stake of CDC to MHI. The related accrued interest payable amounting to P95.2 million recorded as part of Accrued expenses under Trade and other payables account in the consolidated statement of financial position was also extinguished and is recognized as Gain on extinguishment on trade and other payables and is presented as part of Other Income (Charges) account in the 2023 consolidated statement of profit or loss (see Note 17.4).

With regard to the existing loans with financial covenants to maintain, the Group have complied with the financial, affirmative and negative covenants except that in 2023, 2022, and 2021 [(see *b.1, b.3, e*)], the Group exceeded the agreed debt-to-equity ratio and had lower than the indicated current ratio. The Group also had lower than the stated DSCR. Prior to December 31, 2023 and 2022, the companies already 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 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 documents as a basis to reclassify the loan to current. The Group also continued to negotiate with banks to refinance or restructure its existing loans.

Interest incurred on these loans is included as part of Finance costs under the Other Income (Charges) section of the consolidated statements of profit or loss (see Note 17.1). The related unpaid interest as of December 31, 2023 and 2022 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	
				2023	2022
Landbank of the Philippines	MT Chelsea Intrepid MT BMI Patricia				
	Assignment of receivables				
	Continuing suretyship	90 days	3.00 -6.75%	P 1,327,834,768	P 1,336,460,600
Primary Institutional Lenders	MV TA21 and Pledge of shares	30 to 180 days	1.00 to 10.00%	608,109,693	1,422,956,791
CBC	Trans-asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	5.75%	500,000,000	500,000,000
PBB	Unsecured	180 days	7.50%	485,000,000	665,000,000
Pentacapital	Assignment of receivables	360 days	7.00%	209,678,517	210,970,653
UB	Continuing suretyship	360 days	4.50%	-	198,000,000
				<u>P 3,130,622,977</u>	<u>P 4,333,388,044</u>

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 P685.7 million and P748.34 million as of December 31, 2023 and 2022, respectively (see Note 9). These loans do not include any financial covenants.

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, 2023 and 2022 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

The details of the Group's mortgage loans are as follows:

	Security	Terms	Interest Rates	Outstanding Balance	
				2023	2022
BDO	Trans-Asia 1, 8, 10 CY3				
	REM, Continuing suretyship	10 years	6.50%	P 161,867,641	P 163,090,822
Toyota Financials	Chattel Mortgage on				
	Transportation Equipment	3 years	10.07%	10,537,049	15,281,059
Eastwest	Chattel Mortgage on				
	Transportation Equipment	3 years	9.71%	1,301,390	587,807
BDO	Chattel Mortgage on				
	Transportation Equipment	3 years	10.00%	300,929	5,049,332
AUB	Chattel Mortgage on				
	Transportation Equipment	3 to 5 years	7.00% to 8.50%	-	100,288
				<u>P 174,007,009</u>	<u>P 184,109,308</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 6.75% to 10.28% in both 2023 and 2022. 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 financial covenants.

These loans are secured by certain properties and transportation equipment with total carrying amount of P230.2 million and P253.0 million as of December 31, 2023 and 2022, respectively (see Note 9).

12.4 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 Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position:

	Number of rights-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2023					
Warehouses and related facilities	6	1 - 2 years	2 years	2	-
Lot	7	2 - 10 years	4 years	-	-
Offices	5	1 - 5 years	3 years	2	1
Vessel and vessel equipment	3	2 to 20 years	15 years	-	-
December 31, 2022					
Warehouses and related facilities	12	1 - 2 years	2 years	3	-
Lot	9	2 - 10 years	4 years	-	-
Offices	6	1 - 5 years	3 years	2	1
Vessel and vessel equipment	9	2 to 20 years	15 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
December 31, 2023									
Lease liabilities	P	30,644,810	P	102,803,955	P	21,022,225	P	2,584,010,858	P 2,738,481,848
Number of leases with an extension option that is not considered reasonably certain of exercise		3		-		2		-	5
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised		-		-	P	83,282,702		-	P 83,282,702
December 31, 2022									
Lease liabilities	P	62,035,497	P	123,485,462	P	41,784,395	P	2,707,790,820	P 2,935,096,174
Number of leases with an extension option that is not considered reasonably certain of exercise		3		-		2		-	5
Additional lease liabilities that would be incurred were it to become reasonably certain that extension option would be exercised	P	9,039,292		-	P	83,282,702		-	P 92,321,994

Certain lease with termination option by the Group were exercised but no additional liabilities were charged to the companies. 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 maturity analysis of lease liabilities as of December 31, 2023 and 2022 is as follows:

	Within 1 year		1 to less than 2 years		2 to less than 3 years		3 to less than 4 years		4 to less than 5 years		More than 5 years		Total
December 31, 2023													
Lease payments	P	409,449,063	P	886,801,675	P	302,731,713	P	283,213,861	P	262,150,276	P	1,802,746,284	P 3,947,092,872
Finance charges	(	207,089,308)	(	187,198,995)	(	146,263,018)	(	133,923,947)	(	127,436,046)	(	406,699,710)	(1,208,611,024)
Net present value	P	202,359,755	P	699,602,680	P	156,468,695	P	149,289,914	P	134,714,230	P	1,396,046,574	P 2,738,481,848
December 31, 2022													
Lease payments	P	457,323,410	P	409,029,749	P	890,285,525	P	300,909,294	P	284,822,798	P	1,968,420,620	P 4,310,791,396
Finance charges	(	223,841,087)	(	205,610,874)	(	184,563,755)	(	143,073,188)	(	130,255,314)	(	488,351,004)	(1,375,695,222)
Net present value	P	233,482,323	P	203,418,875	P	705,721,770	P	157,836,106	P	154,567,484	P	1,480,069,616	P 2,935,096,174

As of December 31, 2023 and 2022, 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 P79.2 million, P69.9 million and P75.4 million in 2023, 2022 and 2021, respectively, and is presented as part of Rentals under Cost of Sales and Services and Other Operating Expenses in the consolidated statements of profit or loss (see Notes 14 and 15). As of December 31, 2023 and 2022, the Company's total commitment on these short-term leases amounted to P24.8 million and P36.9 million, respectively.

13. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2023	2022 (As restated - see Note 2)
Trade payables	8, 19.2		
Related parties		P 2,922,304,653	P 2,767,161,615
Third parties		2,898,345,891	2,922,255,203
Accrued expenses	12, 19.2	2,044,474,354	2,260,536,557
Subscription payable	10.1	781,249,998	781,249,998
Deferred output VAT		510,802,393	447,716,406
Non-trade payables	19.6	500,000,000	500,000,000
Government-related obligations		301,935,802	371,293,575
Output VAT payable		241,053,686	134,939,913
Deferred income		12,365,370	-
Provisions	22.3	610,389	610,389
Others	9	35,119,694	53,088,122
		<u>P 10,248,262,229</u>	<u>P 10,238,851,778</u>

Accrued expenses comprise amounts to be paid in relation to warehouse construction, repairs and maintenance, fuel and lubricants, interest expense arising from loans, fines and penalties related to taxes, and professional fees rendered to the Group.

Subscription payable pertains to the amount of subscribed shares on the Group's investments in associate that remains unpaid as of December 31, 2023 and 2022 (see Note 10.1).

In 2023, the Company made a retrospective restatement of Accrued expenses to recognize accruals of interest related to the loan from MHI [see Notes 2.1(b) and 12.1(h)] as of January 1, 2022. In 2023, accrued interest payable related to the loan has been extinguished and the resulting gain is recorded as Gain on extinguishment on trade and other payables presented as part of Other Income (Charges) account in the 2023 consolidated statement of profit or loss [see Notes 12.1(h) and 17.4].

Also, in 2023, the Trans-asia made a retrospective restatement of Trade payables to recognize the loan principal and interest repayment made by a related party on behalf of Trans-asia to DBP in 2021 [see Note 2.1(b)].

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	2023	2022 (As restated - see Note 2.1b)	2021 (As restated - see Note 2.1b)
Bunkering	6, 19.2	P 2,230,770,388	P 2,391,414,527	P 1,489,717,502
Depreciation and amortization	9	1,265,327,437	1,175,522,855	1,370,544,243
Salaries and employee benefits	16.1	509,098,886	560,862,757	541,878,271
Outside services		407,764,544	297,234,862	283,166,405
Insurance		239,549,062	211,783,385	204,105,647
Handling costs		211,081,166	207,540,608	295,135,774
Repairs and maintenance	6	204,545,638	184,779,108	176,093,611
Port expenses		108,824,999	171,730,096	161,725,068
Supplies	6	94,275,622	87,420,260	84,380,250
Cost of inventories sold		81,301,899	61,984,122	55,637,666
Rentals	19.3	53,522,302	69,880,002	75,418,428
Utilities and communication		47,727,733	32,203,539	14,384,969
Commission		29,947,772	23,492,770	14,236,971
Taxes and licenses		27,931,115	25,562,769	23,322,783
Transportation and travel		13,548,471	13,772,304	16,086,965
Charter hire fees		2,403,522	29,483,001	26,391,284
Representation and entertainment		1,183,558	1,361,717	909,039
Professional fees		366,303	568,928	20,000
Miscellaneous		69,204,117	95,155,547	70,676,534
		<u>P 5,598,374,534</u>	<u>P 5,641,753,157</u>	<u>P 4,903,831,410</u>

15. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature for the years ended December 31 are shown below.

	Notes	2023	2022 (As restated - see Note 2.1b)	2021 (As restated - see Note 2.1b)
Bunkering	6, 19.2	P 2,230,770,388	P 2,391,414,527	P 1,489,717,502
Depreciation and amortization	9, 11	1,353,139,809	1,255,702,826	1,484,181,534
Salaries and employee benefits	16.1	911,608,418	878,204,944	849,960,921
Outside services		766,748,915	725,405,894	642,384,137
Insurance		241,378,241	215,398,277	206,330,895
Handling costs		211,081,166	207,540,608	295,135,774
Fines, fees and penalties		210,804,154	48,233,149	64,227,656
Repairs and maintenance	6	210,527,297	192,832,259	180,755,158
Port expenses		108,824,999	171,730,096	161,725,068
Supplies	6	121,567,702	98,609,734	93,203,420
Taxes and licenses		99,444,889	151,636,001	134,848,876
Expected credit losses on receivables		95,276,386	41,872,781	396,386,975
Cost of inventories sold		81,301,899	61,984,122	55,637,666
Rentals	12.4, 19.3, 22.2	78,348,401	90,937,648	98,903,564
Utilities and communication		68,690,627	50,844,439	49,377,556
Representation and entertainment		56,087,242	14,756,687	2,709,526
Professional fees		55,508,515	21,585,062	16,528,064
Transportation and travel		36,378,725	31,743,021	30,526,020
Commission		33,665,904	26,246,460	14,496,005
Advertising and promotions		5,346,912	3,007,162	1,259,387
Charter hire fees		2,403,522	29,483,001	26,391,284
Miscellaneous	19.9(b)	112,555,801	88,791,267	100,002,815
		P 7,091,459,912	P 6,797,959,965	P 6,394,689,803

These expenses are classified in the consolidated statements of profit or loss as follows:

	Notes	2023	2022 (As restated - see Note 2.1b)	2021 (As restated - see Note 2.1b)
Cost of sales and services	14	P 5,598,374,534	P 5,641,753,157	P 4,903,831,410
Other operating expenses		1,397,808,992	1,114,334,027	1,094,471,418
Expected credit losses on receivables	5	95,276,386	41,872,781	396,386,975
		P 7,091,459,912	P 6,797,959,965	P 6,394,689,803

16. SALARIES AND EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31 are shown below.

	Notes	2023	2022	2021
Short-term employee benefits	P	817,790,989	P 782,182,517	P 772,001,508
Post-employment benefits	16.2(b)	21,662,787	41,707,685	26,358,885
Bonus and incentives		19,366,676	19,142,211	14,768,935
Share-based compensation	20.5	8,368,067	18,760,422	5,943,224
Other employee benefits		44,419,899	16,412,110	30,888,369
	16	P 911,608,418	P 878,204,944	P 849,960,921

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	2023	2022	2021
Cost of sales and services	14	P 509,098,886	P 560,862,757	P 541,878,271
Other operating expenses		402,509,532	317,342,187	308,082,650
	15	P 911,608,418	P 878,204,944	P 849,960,921

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 years to 10 periods – 15 days per year of service
 - ten periods and years to 15 periods – 22.5 days per year of service
 - 15 periods and years and above – 30 days per year of service
- (ii) For regular employees who were hired starting December 1, 2006
 - Five periods and years to nine periods – 7.5 days per year of service
 - Nine periods and years 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 years 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 years 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.

(i) *Post-employment Benefit Asset*

The post-employment defined benefit asset of MI as of December 31, 2023 and 2022, which is recognized in the consolidated statements of financial position amounts to P1.9 million and P1.8 million in 2023 and 2022, respectively.

The movements of the fair value of plan assets in 2023 and 2022 are presented below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 1,800,436	P 1,800,436
Interest income	<u>111,300</u>	<u>-</u>
Balance at end of year	<u>P 1,911,736</u>	<u>P 1,800,436</u>

The composition of the fair value of plan assets as at December 31, 2023 and 2022 by category and risk characteristics is shown below.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	P 50,805	P 2,026
Government securities	422,948	930,471
Corporate debt securities	1,384,273	668,233
Equity securities	46,500	196,000
Others	<u>7,210</u>	<u>3,706</u>
	<u>P 1,911,736</u>	<u>P 1,800,436</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).

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>2023</u>	<u>2022</u>
Present value of the obligation	P 182,584,582	P 148,337,058
Fair value of plan assets	(55,358,135)	(59,477,983)
	<u>P 127,226,447</u>	<u>P 88,859,075</u>

The amounts of post-employment defined benefit obligation recognized in the consolidated statements of financial position are determined as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 148,337,058	P 143,896,043
Current service cost	21,742,924	28,958,963
Interest cost	10,320,804	8,289,306
Past service cost	7,146,446	12,748,722
Actuarial loss (gains) due to changes in:		
Financial assumptions	17,011,294	(37,420,584)
Experience assumptions	(11,423,842)	15,638,631
Demographic assumptions	-	(16,530,339)
Benefits paid from plan asset	(8,117,953)	(3,439,859)
Benefits paid from operating funds	(2,432,149)	(3,803,825)
Balance at end of year	<u>P 182,584,582</u>	<u>P 148,337,058</u>

The details of the fair value of plan assets in 2023 and 2022 are presented below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 59,477,983	P 63,879,806
Benefits paid	(8,117,953)	(3,439,859)
Interest income	4,233,216	3,335,554
Remeasurement loss	(235,111)	(4,297,518)
Balance at end of year	<u>P 55,358,135</u>	<u>P 59,477,983</u>

The composition of the fair value of plan assets as at December 31, 2023 and 2022 by category and risk characteristics is shown below.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	P 283,127	P 81,048
Government securities	15,589,595	930,471
Corporate debt securities	38,893,213	57,937,155
Equity securities	184,300	196,000
Others	<u>407,900</u>	<u>333,309</u>
	<u>P 55,358,135</u>	<u>P 59,477,983</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).

(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 and in the succeeding page.

(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, 2023 and 2022.

Impact on Post-employment Benefit Obligation					
	Change in Assumption		Increase in Assumption		Decrease in Assumption
<u>December 31, 2023</u>					
Discount rate	+/- 1.0%	(P	18,321,501)	P	15,501,467
Salary growth rate	+/- 1.0%		16,272,674	(	18,846,109)
<u>December 31, 2022</u>					
Discount rate	+/- 1.0%	(P	8,720,384)	P	21,284,638
Salary growth rate	+/- 1.0%		21,100,766	(	9,121,646)

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, 2022 and 2021 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, 2023 and 2022, the plan is underfunded by P127.2 million and P88.9 million, respectively. 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 maturity profile of undiscounted expected benefit payments from the plan within the next ten years from December 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
One to five years	P 76,792,638	P 73,159,525
More than five years but not more than ten years	<u>247,017,258</u>	<u>83,374,758</u>
	<u>P 323,809,896</u>	<u>P 156,534,283</u>

17. OTHER INCOME (CHARGES)

17.1 Finance Costs

The details of this account for the years ended December 31 are shown below.

	Note	2023	2022 (As Restated - see Note 2)	2021 (As Restated - see Note 2)
Interest expense on –				
Interest-bearing loans	12	P 926,769,953	P 1,028,692,896	P 1,181,523,424
Lease liabilities		224,175,196	182,714,815	201,150,906
Deficiency income taxes		70,352,250	39,480,407	22,720,466
Post-employment benefits		6,087,588	4,953,752	4,881,292
		<u>1,227,384,987</u>	<u>1,255,841,870</u>	<u>1,410,276,088</u>
Foreign currency exchange losses		27,684,405	127,489,242	25,714,272
Bank charges		<u>3,383,715</u>	<u>1,583,832</u>	<u>2,035,447</u>
		<u>P 1,258,453,107</u>	<u>P 1,384,914,944</u>	<u>P 1,438,025,807</u>

17.2 Finance Income

The breakdown of this account for the years ended December 31 are shown below.

	2023	2022	2021
Interest income	P 1,115,715	P 3,859,469	P 640,268
Foreign currency exchange gains (losses) - net	(304,671)	245,972	5,394,482
	<u>P 811,044</u>	<u>P 4,105,441</u>	<u>P 6,034,750</u>

17.3 Prior Year Transactions

On March 18, 2021, the Group entered into a share purchase agreement (SPA) with a third party for the sale of the Group's investment in 2GO. On May 3 and June 3, 2021, the Group executed the sale of its investment in 2GO for a total net consideration amounting to P7,460.3 million, in which the Group recognized a gain on sale amounting to P154.0 million and is presented as part of Other Income (Charges) in the 2021 consolidated statement of profit or loss. Portion of the proceeds amounting to P6,550.3 million was used to pay a certain loan of the Parent Company. Further, P35.1 million of the total consideration was used to offset against the Parent Company's payables with 2G) in 2021. There is no outstanding receivable related to this sale (see Note 19.4).

Also, in previous years, the Group classified as held for sale certain vessels previously used by Trans-Asia and SFFC that the management of the respective companies approved to be sold. On January 14, 2021 and April 6, 2021, Trans-Asia sold Trans-Asia 5 and Lapu-Lapu Uno to third parties, respectively.

On August 19, 2021, SFFC has sold MV Supercat 36 for a total consideration amounting to P2.5 million, in which SFFC recognized a loss on sale amounting to P9.4 million and is presented as part of Other Income (Charges) in the 2021 consolidated statement of profit or loss. There are no similar transactions in 2023 and 2022.

17.4 Other Income (Loss)

Presented below are the details of other income (loss) for the years ended December 31 are shown below.

	Notes	2023	2022	2021
Gain (loss) on sale of property and equipment - net	9	(P 161,386,160)	P 2,893,508	(P 495,936,979)
Gain on extinguishment of trade and other payables	12	92,451,340	-	-
Pretermination of TC		-	-	312,815,862
Miscellaneous	6	82,510,193	40,094,989	40,589,602
		<u>P 13,575,374</u>	<u>P 42,988,497</u>	<u>(P 142,531,515)</u>

In 2021, PNX-Chelsea recognized a gain from the pre-termination of its TC agreement with 2GO.

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)

Starlite had registered MV Archer with BOI which commenced in March 2017 for a period of four years. In 2019, Starlite had registered MV Starlite Sprint 1, which commenced on December 2019 for a period of four years. In August 2020, Starlite registered MV Starlite Venus, which will commence in November 2020 with 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 Starlite Phoenix (formerly 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 income tax holiday (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 expense (income) as reported in the consolidated statements of profit and loss and other comprehensive income are shown below.

	2023	2022	2021
<i>Recognized in profit or loss:</i>			
Regular corporate income tax at 25%	P 34,713,440	P 12,026,297	P 5,677,514
Minimum corporate income tax (MCIT) at 1.5% in 2023 and 1% in 2022 and 2021	24,847,665	12,675,625	858,158
Final tax at 20% and 7.5%	<u>208,020</u>	<u>37,804</u>	<u>4,386</u>
	59,769,125	24,739,726	6,540,058
 Deferred tax expense (income) relating to origination and reversal of temporary differences	 35,859,546	 31,941,060	 (72,018,749)
	P 95,628,671	P 56,680,786	(P 65,478,691)
 <i>Recognized in other comprehensive income —</i>			
Deferred tax expense relating to origination and reversal of temporary differences	P 243,380,779	P 200,672,418	(P 41,974,764)

The reconciliation of tax on pretax loss computed at the applicable statutory rate to tax income reported in the consolidated statements of profit or loss is as follows:

	2023	2022 (As restated - see Note 2)	2021 (As restated - see Note 2)
Tax on pretax loss at 25%	(P 261,800,525)	(P 618,663,792)	(P 992,262,526)
Effect of the change in income tax rate	-	-	38,351,221
Adjustments for income subjected to lower tax rates	(34,258)	(9,451)	(2,193)
Tax effects of:			
Unrecognized deferred tax assets on net operating loss carryover (NOLCO)	256,872,656	682,018,620	755,166,584
Nondeductible expenses	207,846,141	27,087,464	225,650,411
Benefit from previously unrecognized DTA	(89,005,456)	-	-
Nontaxable income	(34,238,903)	(34,932,504)	(125,023,755)
Unrecognized deferred tax assets on MCIT	10,676,255	-	-
Derecognition of unutilized DTA	5,312,761	-	-
Restatement	-	1,180,449	(423,886)
Net loss on BOI-registered activities	-	-	33,065,453
	P 95,628,671	P 56,680,786	(P 65,478,691)

The net deferred tax assets of the Company and certain subsidiaries as of December 31, 2023 and 2022 pertain to the following:

	<u>2023</u>	<u>2022</u>
Post-employment benefit obligation	P 19,385,029	P 14,702,508
Impairment losses on trade and other receivables	10,482,084	132,317,005
Loss (gain) on debt modification	(9,991,993)	5,652,128
Unrealized foreign exchange loss	7,760,096	8,153,245
Share-based compensation	6,116,487	5,475,249
Impairment losses on property and equipment	4,454,824	10,881,226
Leases	(1,589,998)	(7,091,852)
Capitalized borrowing costs	-	(5,570,535)
Revaluation reserves on property and equipment	-	(122,658,075)
MCIT	-	4,441,630
Others	965,572	972,081
	<u>P 37,582,101</u>	<u>P 47,274,610</u>

The net deferred tax liabilities of certain subsidiaries as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Revaluation reserves on property and equipment	(P 789,688,603)	(P 467,448,341)
Impairment losses on trade and other receivables	187,208,304	131,818,581
Impairment losses on property and equipment	52,353,628	43,675,174
Gain on debt modification	(46,324,646)	-
Leases	(38,404,555)	(52,693,832)
Capitalized borrowing costs	(31,838,769)	(27,772,767)
MCIT	17,949,641	-
Post-employment benefit obligation	7,810,403	1,584,440
Unamortized past service costs	(3,128,341)	(3,128,341)
Unrealized foreign exchange gain	(2,371,109)	-
Share-based compensation	1,881,051	890,632
Provisions	90,407	90,407
Others	1,779,240	2,219,622
	<u>(P 642,683,350)</u>	<u>(P 370,764,425)</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:							
2023	P	1,636,658,480	P -	P -	P -	P 1,636,658,480	2026
2022		2,788,158,622	-	28,265,644	-	2,759,892,979	2025
2021		3,058,905,374	-	5,850,807	-	3,053,054,567	2026
2020		2,472,631,204	29,949,659	329,836,179	-	2,112,845,366	2025
	P	9,956,353,680	P 29,949,659	P 363,952,630	P -	P 9,562,451,391	
MCIT:							
2023	P	24,731,462	P -	P -	P -	P 24,731,462	2026
2022		7,807,851	-	273,000	-	7,534,851	2025
2021		3,118,990	-	-	-	3,118,990	2024
2020		3,587,849	-	-	3,587,849	-	2023
	P	39,246,152	P -	P 273,000	P 3,587,849	P 35,385,303	

The NOLCO incurred by entities within the Group can be claimed as deductions from their respective future taxable profits within five years after the year the tax loss was incurred. Specifically, the NOLCO incurred in 2021 and 2020 can be claimed as deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of RA No. 11494 and as implemented through Revenue Regulations No. 25-2020.

The Group is subject to the MCIT, which is computed at 1.5% of gross income in 2023 and 1% of gross income in 2022 and 2021 as defined under the tax regulations or RCIT, whichever is higher.

In 2023, 2022 and 2021, the Group opted to claim itemized deductions in computing for its income tax due.

18.3 Impact of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- (a) RCIT rate was reduced from 30% to 25% starting July 1, 2020;
- (b) MCIT rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- (c) the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include Udenna, related parties under common ownership, associates, the Group's key management personnel.

Transactions amounting to more than 10% or more of the total consolidated assets 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. This is based on the requirements of SEC Memorandum Circular No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Corporations*.

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 10% or more of the total consolidated assets, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

A summary of the Group's transactions with its related parties for the years ended December 31, 2023, 2022 and 2021 and the related outstanding balances as of December 31, 2023 and 2022 is presented below.

Related Party Category	Notes	Amounts of Transactions				Outstanding Balances	
		2022		2021		2022	
			As restated		As restated		As restated
		2023	- see Note 2.1(b)	- see Note 2.1(b)		- see Note 2.1(b)	
Parent —							
Cash advances granted	19.4	P 4,338,633	(P 21,936,541)	P 6,554,331,342	P 7,117,460,312	P 7,113,121,679	
Associate —							
Sale of Dito	10, 19.4	-	-	-	271,874,967	271,874,967	
Related parties under common ownership:							
Chartering of services rendered	19.1	9,881,618	109,987,271	157,377,291	64,184,585	73,199,255	
Fuel purchases	19.2	308,319,152	787,617,140	1,217,534,299	(2,918,883,787)	(2,762,971,463)	
Acquisition of CSC's shares	19.6	-	-	-	(500,000,000)	(500,000,000)	
Rental expense	19.3	1,025,325	1,504,479	1,817,124	(3,420,866)	(4,190,152)	
Donation	19.9(b)	-	-	270,000	-	(360,000)	
Cash advances granted	19.4	-	17,291,343	245,528,345	86,032,238	86,058,666	
Cash advances obtained	19.4	(25,490,390)	71,198,734	140,384,270	(504,000,000)	(529,490,390)	
Right-of-use assets	9, 19.7	(16,656,541)	(12,492,405)	(12,492,405)	9,716,315	26,372,856	
Lease liabilities	12.4, 19.7	17,220,905	12,708,552	7,293,655	(8,956,841)	(26,177,746)	
Stockholders —							
Cash advances granted	19.4	2,661,432	-	-	150,885,270	148,223,838	
Key management personnel —							
Compensation and benefits	21.8	43,978,811	42,670,026	55,335,632	-	-	

The Group's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model. No impairment loss was recognized in 2023, 2022 and 2021 (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

The Group entered into chartering agreements with PPPI, a related party under common ownership, 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 under the Revenues section of the consolidated statements of profit or loss. The related outstanding receivable as of December 31, 2023 and 2022 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, 2023 and 2022 based on management's assessment.

19.2 Fuel Purchases

The Group purchases fuel and lubricants 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 P86.7 million and P96.2 million as of December 31, 2023 and 2022, respectively, are included as part of the Inventories account in the consolidated statements of financial position (see Note 6). 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, 2023 and 2022 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, renewable at the end of the lease term upon mutual agreement of the parties. Related expense is presented as part of Rentals under Cost of Sales and Services in the consolidated statements of profit or loss (see Notes 14 and 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 Note 11).

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, 2023 and 2022, 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 movements in Advances to Related Parties in 2023, 2022 and 2021 are as follows:

	Parent Company	Associate	Related Parties under common Ownership	Stockholders	Total
December 31, 2023					
Balance at beginning of year	P 7,113,121,679	P 271,874,967	P 86,058,666	P 148,223,838	P 7,619,279,150
Advances	4,338,633	-	-	-	4,338,633
Collections	-	-	(26,428)	2,661,432	2,635,004
Balance at end of year	<u>P 7,117,460,312</u>	<u>P 271,874,967</u>	<u>P 86,032,238</u>	<u>P 150,885,270</u>	<u>P 7,626,252,787</u>
December 31, 2022					
Balance at beginning of year	P 7,406,704,900	P 271,874,967	P 115,930,575	P -	P 7,794,510,442
Advances	-	-	-	148,223,838	148,223,838
Collections	(293,583,221)	-	(29,871,909)	-	(323,455,130)
Balance at end of year	<u>P 7,113,121,679</u>	<u>P 271,874,967</u>	<u>P 86,058,666</u>	<u>P 148,223,838</u>	<u>P 7,619,279,150</u>
December 31, 2021					
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P -	P 1,400,594,810
Offsetting against sales proceeds	6,550,275,167	-	-	-	6,550,275,167
Collections	(123,948,969)	-	(32,410,566)	-	(156,359,535)
Balance at end of year	<u>P 7,406,704,900</u>	<u>P 271,874,967</u>	<u>P 115,930,575</u>	<u>P -</u>	<u>P 7,794,510,442</u>

Based on management's assessment, no impairment loss is recognized in 2023, 2022 and 2021 related to the advances granted to related parties (see Note 25.2).

The movements in the Advances from Related Parties account in 2023, 2022, and 2021 are as follows:

	2023	2022	2021
Balance at beginning of year	P 529,490,390	P 624,023,838	P 587,784,015
Cash flow from financing activities:			
Repayments	(25,490,390)	(94,533,448)	-
Proceeds	-	-	36,239,823
Balance at end of year	<u>P 504,000,000</u>	<u>P 529,490,390</u>	<u>P 624,023,838</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 P57.3 million and P61.3 million as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Group's retirement funds do not include any investments in 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). As of December 31, 2023 and 2022, the outstanding liability from this transaction amounting to P500.0 million is presented as Non-trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

19.7 Leases

Under PFRS 16, the Company recognized right-of use assets and lease liabilities related to lease of a certain office space from a related party under common ownership amounting to P39.4 million and P43.0 million, and P38.9 million and P43.5 million, respectively, in the consolidated statements of financial position (see Notes 9 and 12.4). The total amortization on the right-of-use asset is presented as part of Depreciation and amortization under Other Operating Expenses in the consolidated statements of profit or loss (see Note 15). Interest expense arising from the lease liabilities is recognized as part of Finance costs under Other Income (Charges) in the consolidated statements of profit or loss (see Note 17.1).

19.8 Key Management Personnel Compensation

The Group's key management personnel compensation includes short-term benefits and post-employment defined benefits amounting to P44.0 million, P42.7 million and P55.3 million in 2023, 2022 and 2021, respectively, 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 15).

19.9 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 12.1). Certain interest-bearing loans of Udenna were also secured by a corporate guarantee of the Company through a continuing surety agreement with the respective banks.
- (b) The Group granted donations amounting to P0.2 million in 2021 and 2020 (nil in 2022), 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). The outstanding balance is presented as part of Trade and other payables account in the consolidated statements of financial position.

20. EQUITY

20.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2023	2022	2021	2023	2022	2021
Preferred shares – P1 par value						
Authorized	10,000,000	10,000,000	10,000,000	P 10,000,000	P 10,000,000	P 10,000,000
Issued and outstanding	500,000	500,000	-	P 500,000	P 500,000	P -
Common shares – P1 par value						
Authorized	3,490,000,000	3,490,000,000	1,990,000,000	P 3,490,000,000	P 3,490,000,000	P 1,990,000,000
Issued						
Balance at beginning of year	1,821,977,615	1,821,977,615	1,821,977,615	P 1,821,977,615	P 1,821,977,615	P 1,821,977,615
Issued during the year	77,791,000	-	-	77,791,000	-	-
Balance at end of year	1,899,768,615	1,821,977,615	1,821,977,615	P 1,899,768,615	P 1,821,977,615	P 1,821,977,615
Subscription receivable:						
Balance at beginning of year	93,750,000	-	-	P 281,250,000	P -	P -
Subscribed during the year	-	-	-	-	375,000,000	-
Paid during the year	150,000,000	93,750,000	-	(150,000,000)	(93,750,000)	-
Balance at end of year	243,750,000	93,750,000	-	P 131,250,000	P 281,250,000	P -
Total issued, subscribed and outstanding shares	2,144,018,615	1,916,227,615	1,821,977,615	P 2,144,018,615	P 1,916,227,615	P 1,821,977,615

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. In addition, the Company 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 Company recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2023 and 2022, the Company's listed shares closed at P1.49 and P1.66 per share, respectively.

On October 6, 2020, the Shareholders ratified the BOD's approval of the issuance of 500,000 Preferred Shares via private placement to Global Kingdom Investments Limited at the subscription price of P1,000 per share, subject to certain terms and conditions. The par value of the Preferred Shares is P1.0 per share. Actual issuance of the shares has not yet been executed as of December 31, 2021.

On the same date, the Shareholders also ratified the BOD's approval of the increase in the authorized capital stock of the Company to P3,500,000,000. The increase of 1,500,000,000 shares, consists of all common shares. Udenna subscribed to 375,000,000 common shares, which is 25% of the increase in common shares, at the price of P3.26 per share with reference to the 90-day volume weighted average price. The par value of the common shares is P1.0 per share.

The receipt of capital infusion from Global Kingdom Investments Limited amounting to P414.8 million and from Udenna amounting to P305.6 million, totaling to P805.6 million was presented as Deposits on Future Stock Subscriptions under Equity section as of December 31, 2021 and was reclassified as part of Capital Stock and Additional Paid-in Capital in 2022 upon approval of the increase in the authorized capital stock of SEC on April 4, 2022 (see Note 1.1).

In 2022, Global Kingdom has fully paid its subscriptions to preferred shares and the Company subsequently issued the preferred shares. The preferred shares are non-voting, redeemable at the option of the issuer at subscription price and earn cumulative cash dividend at a rate of 8% per annum payable upon BOD's declaration and approval.

The subscription of Udenna diluted the public ownership of the Company from 30% to 25% as of in 2022.

In October 2023, the Company entered into subscription and debt conversion agreements with lenders Metropolitan Bank & Trust Company – Trust Banking Group (MBTC) and Private Education Retirement Annuity Association (PERAA), in which the Company settled two of its outstanding loans amounting to P221.8 million and P11.6 million through the issuance of 73,932,000 and 3,859,000 shares, which represents 3.25% and 0.17% of the total issued and outstanding shares of the Company, respectively (see Note 10). The conversion price for the MBTC and PERAA shares is P3.00 per share. APIC was recognized amounting to 155.6 million and is presented under Equity section as of December 31, 2023.

In 2023, the Company collected from Udenna a partial payment of the subscription receivable amounting to P489.0 million, which 150,000,000 was presented as part of subscribed and 339,000,000 shares as part of APIC as of December 31, 2023.

20.2 Revaluation Reserves

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.

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 in the succeeding page.

	Revaluation of Property and Equipment (see Note 9)	Actuarial Gain or Loss on PBO (see Note 16.2)	Cumulative Translation Adjustments	Total
Balance as of January 1, 2023	P 1,380,564,802	P 108,308,125	P 2,382,959	P 1,491,255,887
Revaluation increment	839,224,129	-	-	839,224,129
Remeasurements of post-employment benefit obligation	-	(6,291,481)	-	(6,291,481)
Currency exchange differences on translating financial statements of foreign operations	-	-	(266,430)	(266,430)
Other comprehensive income	839,224,129	(6,291,481)	(266,430)	832,666,218
Tax income	(244,847,809)	1,467,030	-	(243,380,779)
Other comprehensive income after tax	594,376,320	(4,824,451)	(266,430)	589,285,439
Transfer to retained earnings - Depreciation of revalued vessels	(163,471,690)	-	-	(163,471,690)
Balance at December 31, 2023	P 1,811,469,432	P 103,483,674	P 2,116,529	P 1,917,069,636
Balance as of January 1, 2022	P 968,152,254	P 80,458,335	P 2,300,473	P 1,050,911,063
Revaluation increment	714,299,589	-	-	714,299,589
Remeasurements of post-employment benefit obligation	-	34,014,774	-	34,014,774
Currency exchange differences on translating financial statements of foreign operations	-	-	82,486	1,618,520
Other comprehensive income	714,299,589	34,014,774	82,486	748,396,849
Tax income	(194,507,434)	(6,164,984)	-	(200,672,418)
Other comprehensive income after tax	519,792,155	27,849,790	82,486	547,724,431
Transfer to retained earnings - Depreciation of revalued vessels	(107,379,607)	-	-	(107,379,607)
Balance at December 31, 2022	P 1,380,564,802	P 108,308,125	P 2,382,959	P 1,491,255,887
Balance as of January 1, 2021	P 1,168,028,791	P 32,727,175	P 681,953	P 1,201,437,919
Revaluation decrement	(97,809,298)	-	-	(97,809,298)
Remeasurements of post-employment benefit obligation	-	60,163,065	-	60,163,065
Currency exchange differences on translating financial statements of foreign operations	-	-	1,618,520	1,618,520
Other comprehensive income	(97,809,298)	60,163,065	1,618,520	(36,027,713)
Tax income	54,406,669	(12,431,905)	-	41,974,764
Other comprehensive income after tax	(43,402,629)	47,731,160	1,618,520	5,947,051
Transfer to retained earnings - Depreciation of revalued vessels	(156,473,908)	-	-	(156,473,908)
Balance at December 31, 2021	P 968,152,254	P 80,458,335	P 2,300,473	P 1,050,911,063

20.3 Other Reserves

Other reserves amounting to P1.1 billion pertain to the excess of the net identifiable assets of CSC amounting to 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). 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 their fair values, or recognize new assets and liabilities.

20.4 Non-controlling Interest

Non-controlling interests represent the interest not held by the Group in Trans-Asia. The balance as at December 31, 2023 and 2022 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 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 IOD. The Company shall receive cash for the stock options.

In 2022, the Company amended the subscription price of the stock options to P3.99 per share from P6.28 per share and the exercise periods to the first five trading days of September of every year. This change was taken prospectively from date of approval and resulted to an increase in share options expense amounting to P18.8 million in 2022.

As of December 31, 2023 and 2022, 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 been exercised as at December 31, 2023 and 2022.

The fair value of the option granted was estimated using binomial option pricing model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below.

Grant date	:	May 15, 2019
Vesting period ends	:	May 15, 2024
Option life	:	Five years
Share price at grant date	:	P6.05
Amended exercise price	:	P3.99
Original exercise price at grant date	:	P6.28
Average fair value at grant date	:	P3.16
Average standard deviation of share price returns	:	51.28%
Average risk-free investment rates	:	6.14%

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

21. LOSS PER SHARE

Basic and diluted loss per share loss attributable to the Company's stockholders are computed as follows:

	<u>2023</u>	<u>2022</u> (As restated - see Note 2)	<u>2021</u> (As restated - see Note 2)
Net loss	(P 1,142,830,770)	(P 2,531,335,956)	(P 3,903,571,413)
Divided by weighted average shares outstanding	<u>1,948,175,365</u>	<u>1,884,810,948</u>	<u>1,821,977,615</u>
Loss per share – basic and diluted	(P <u>0.587</u>)	(P <u>1.343</u>)	(P <u>2.142</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, 2023 and 2022. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2023 and 2022; 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 entered into BB agreements, which qualifies as a lease. Income recognized under BB agreements amounted to P104.0 million, P188.9 million and P149.4 million in 2023, 2022 and 2021, respectively. These are presented as part of Charter fees under Revenues in the consolidated statements of profit or loss (see Note 24.5). Commitments relating to these agreements amounted to P330.1 million and P361.6 million as of December 31, 2023 and 2022, respectively.

The future minimum lease receivables under these BB agreements are as follows:

	<u>2023</u>	<u>2022</u>
Within one year	P 106,021,836	P 89,349,120
After one year but not more than two years	96,019,776	86,705,400
After two years but not more than three years	96,019,776	76,603,800
After three years but not more than four years	32,006,592	76,603,800
After four years but not more than five years	<u>-</u>	<u>32,325,120</u>
	<u>P 330,067,980</u>	<u>P 361,587,240</u>

To manage its risks over these operating leases, the Group's risk management strategy for the rights it retains in underlying assets, include buy-back agreements and residual value guarantees. These BB agreements do not include provisions on variable lease payments in 2023 and 2022.

22.3 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 Provisions under the Trade and Other Payables account in the consolidated statements of financial position (see Note 13).

22.4 Unused Lines of Credit

As of December 31, 2022, the Group has unused lines of credit amounting to P2.5 million (nil in 2023).

22.5 Warehouse Construction

On December 19, 2019, the WSI 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. In 2022, the construction of the warehouse was put into permanent stoppage and the total capital expenditure amounting to P232.6 million was written off and recognized as Impairment losses on investment properties under the Other Income (Charges) account in the 2022 consolidated statement of profit or loss. The balance of advances to suppliers at the end of the year is presented under Other Non-current assets account in the consolidated statements of financial position (see Note 11).

22.6 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 in the consolidated financial statements primarily comprises the value of expected synergies from the acquisition of these subsidiaries as part of the Group's expansion program and is derived by deducting the fair values of the net assets acquired as of the date of acquisition from the amount of total consideration paid.

The gross carrying amount and accumulated impairment loss of goodwill as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cost	P 1,848,378,146	P1,848,378,146
Accumulated impairment loss	(74,294,814)	(74,294,814)
Net carrying amount	<u>P 1,774,083,332</u>	<u>P 1,774,083,332</u>

The movements of this account as of December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P1,774,083,332	P 1,838,002,446
Impairment during the year	<u>-</u>	(63,919,114)
Balance at end of year	<u>P 1,774,083,332</u>	<u>P 1,774,083,332</u>

Goodwill recognized by the Group are significantly allocated to the following segments:

	<u>2023</u>	<u>2022</u>
Roll-on/roll-off passenger	P 1,295,633,122	P 1,295,633,122
Distribution and warehousing	<u>478,450,210</u>	<u>478,450,210</u>
	<u>P 1,774,083,332</u>	<u>P 1,774,083,332</u>

Goodwill is subject to annual impairment testing as required under PAS 36, *Impairment of Assets*. In 2023 and 2022, the recoverable amounts of the cash-generating units were determined based on value-in-use calculations, which require use of various assumptions.

In 2022 and 2021, the Group determined that the goodwill arising from the acquisition of MI and BMI (under tinkering business segment) is no longer recoverable; hence, an impairment amounting to P63.9 million and P10.4 million was recognized and is presented as Impairment loss on goodwill in the consolidated statements of profit or loss.

Management's impairment analysis for goodwill were based on budgets approved by management covering a five-year period, which were based on expectation of future outcomes taking into consideration past experience for five years, adjusted for anticipated revenue growth and recalibrated to incorporate COVID-19 impact on projections. The growth rates also reflect the long-term growth rates in the Philippines for the years presented.

	<u>2023</u>		<u>2022</u>	
	Average Discount Rate	Terminal Growth Rate	Average Discount Rate	Terminal Growth Rate
Roll-on/Roll-off passenger	6.47%	3.70%	6.41%	3.70%
Distribution and warehousing	6.47%	3.70%	5.75%	3.70%
Tankering	6.47%	3.70%	6.55%	3.70%

Based on these analyses, management has assessed that no further impairment of goodwill is required to be recognized as of December 31, 2023 and 2022. Management also assessed that a reasonably possible change of +/- 1% on the Group's cost of equity and terminal growth rate would not cause the carrying values of goodwill arising from the Group's acquisitions to materially exceed their recoverable amounts.

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.

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.

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.

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 2023, 2022 and 2021.

24.4 Analysis of Segment Information

The tables below and in the succeeding pages present revenue and profit information regarding business segments for the years ended December 31, 2023, 2022 and 2021 and assets and liabilities information regarding segments as at December 31, 2023 and 2022.

	Investing and Other Activities	Tankering	Tugboats	Roll-on/ Roll-off Passenger	Distribution and Warehousing	Ship Management and Crewing	Total
December 31, 2023							
SEGMENT RESULTS							
Sales to external customers	P -	P 488,236,169	P 372,371,341	P 5,657,989,882	P 529,100,656	P -	P 7,047,698,048
Intersegment sales	399,893,791	-	27,343,607	204,848,571	-	374,570,005	1,006,655,974
Total revenues	<u>399,893,791</u>	<u>488,236,169</u>	<u>399,714,948</u>	<u>5,862,838,453</u>	<u>529,100,656</u>	<u>374,570,005</u>	<u>8,054,354,022</u>
Cost of sales and services	-	677,484,155	301,570,452	4,554,859,772	414,108,960	313,095,296	6,261,118,635
Other operating expenses	268,630,435	286,028,245	66,208,418	962,920,166	130,432,931	80,265,176	1,794,485,372
Expected credit losses on receivables	-	9,230,532	2,705,207	77,156,211	6,184,437	-	95,276,386
Finance costs	147,481,605	502,137,675	6,775,504	508,736,152	4,279,114	89,043,057	1,258,453,107
Gain (loss) on debt modification	(36,290,354)	(211,584,711)	-	6,374,052	-	-	(241,501,013)
Gain on sale of investment in associate	(96,046,458)	-	-	-	-	-	(96,046,458)
Impairment loss on investment in a joint v	81,001,439	-	-	-	-	-	81,001,439
Impairment losses on property and equipr	-	42,593,176	-	(26,673,599)	-	-	15,919,578
Finance income	(13,978)	29,402	(12,599)	80,568	(875,386)	(19,051)	(811,044)
Other loss (income)	(1,569,284)	74,293,065	(16,729,910)	(69,535,870)	(33,375)	-	(13,575,374)
	<u>363,193,405</u>	<u>1,380,211,539</u>	<u>360,517,072</u>	<u>6,013,917,452</u>	<u>554,096,681</u>	<u>482,384,478</u>	<u>9,154,320,628</u>
Segment operating loss	<u>P 36,700,386</u>	<u>(P 891,975,370)</u>	<u>P 39,197,876</u>	<u>(P 151,078,999)</u>	<u>(P 24,996,025)</u>	<u>(P 107,814,473)</u>	<u>(P 1,099,966,606)</u>
SEGMENT ASSETS AND LIABILITIES							
Total assets	<u>P 34,991,396,110</u>	<u>P 8,650,256,411</u>	<u>P 902,202,529</u>	<u>P 15,645,364,680</u>	<u>P 401,876,407</u>	<u>P 659,874,772</u>	<u>P 61,250,970,909</u>
Total liabilities	<u>P 19,435,208,233</u>	<u>P 9,757,849,355</u>	<u>P 238,336,194</u>	<u>P 17,520,778,465</u>	<u>P 369,711,651</u>	<u>P 434,248,260</u>	<u>P 47,756,132,158</u>
December 31, 2022, as restated							
SEGMENT RESULTS							
Sales to external customers	P -	P 568,398,608	P 424,350,566	P 4,887,849,262	P 552,154,833	P -	P 6,432,753,269
Intersegment sales	373,544,871	-	27,225,625	181,200,000	-	370,673,328	952,643,824
Total revenues	<u>373,544,871</u>	<u>568,398,608</u>	<u>451,576,191</u>	<u>5,069,049,262</u>	<u>552,154,833</u>	<u>370,673,328</u>	<u>7,385,397,093</u>
Cost of sales and services	-	738,080,165	350,737,935	4,420,543,377	398,674,694	311,373,363	6,219,409,534
Other operating expenses	253,046,119	138,036,981	71,250,331	873,564,350	124,467,936	60,647,701	1,521,013,419
Expected credit losses on receivables	-	(20,032,671)	20,491,460	36,108,694	5,305,298	-	41,872,781
Finance costs	219,074,595	459,748,701	11,053,334	690,460,412	4,069,833	34,115,817	1,418,522,692
Impairment losses on investment properti	-	-	-	-	232,607,476	-	232,607,476
Gain (loss) on debt modification	(3,677,615)	26,286,127	-	(156,964,296)	-	-	(134,355,784)
Share in net loss (gain) of associates	(14,985,078)	-	-	-	-	-	(14,985,078)
Impairment losses on property and equipr	-	-	16,007,570	608,434,170	-	-	624,441,740
Impairment loss on goodwill	-	63,919,114	-	-	-	-	63,919,114
Finance income	(37,204,945)	(7,322)	(7,084)	(228,496)	(133,817)	(2,915)	(37,584,579)
Other loss (income)	(4,548,399)	5,955,549	(15,239,640)	(42,878,827)	(3,149)	(1,239,577)	(57,954,043)
	<u>411,704,677</u>	<u>1,411,986,644</u>	<u>454,293,906</u>	<u>6,429,039,384</u>	<u>764,988,271</u>	<u>404,894,389</u>	<u>9,876,907,272</u>
Segment operating loss	<u>(P 38,159,806)</u>	<u>(P 843,588,036)</u>	<u>(P 2,717,715)</u>	<u>(P 1,359,990,122)</u>	<u>(P 212,833,438)</u>	<u>(P 34,221,061)</u>	<u>(P 2,491,510,179)</u>
December 31, 2022, as restated							
SEGMENT ASSETS AND LIABILITIES							
Total assets	<u>P 35,863,993,023</u>	<u>P 10,506,832,919</u>	<u>P 911,955,035</u>	<u>P 13,644,827,403</u>	<u>P 436,503,677</u>	<u>P 700,055,521</u>	<u>P 62,064,167,578</u>
Total liabilities	<u>P 20,482,502,893</u>	<u>P 10,049,545,802</u>	<u>P 314,579,346</u>	<u>P 15,967,389,225</u>	<u>P 386,222,111</u>	<u>P 501,280,797</u>	<u>P 47,701,520,174</u>
December 31, 2021, as restated							
SEGMENT RESULTS							
Sales to external customers	P -	P 541,423,517	P 331,322,840	P 3,077,613,152	P 518,204,163	P -	P 4,468,563,672
Intersegment sales	253,921,310	-	45,344,633	72,284,948	-	391,737,683	763,288,574
Total revenues	<u>253,921,310</u>	<u>541,423,517</u>	<u>376,667,473</u>	<u>3,149,898,100</u>	<u>518,204,163</u>	<u>391,737,683</u>	<u>5,231,852,246</u>
Cost of sales and services	-	902,034,800	308,212,982	3,491,920,098	344,964,920	313,897,632	5,361,030,433
Other operating expenses	356,950,872	131,143,673	69,353,781	767,542,009	148,159,950	71,080,082	1,544,230,366
Expected credit losses on receivables	-	248,826,285	15,608,760	126,063,435	5,888,495	-	396,386,975
Finance costs	175,766,836	560,861,790	11,121,469	663,907,823	5,117,917	21,249,972	1,438,025,807
Share in net loss of associates	887,079,722	-	-	-	-	-	887,079,722
Gain on redemption of preferred shares	(355,489,306)	-	-	-	-	-	(355,489,306)
Gain on sale of asset held for sale	(154,024,713)	-	-	9,419,000	-	-	(144,605,713)
Impairment loss on goodwill	10,375,700	-	-	-	-	-	10,375,700
Finance income	(11,466)	(180,790)	(3,031)	(5,427,488)	(395,635)	(16,340)	(6,034,750)
Other loss (income)	(4,519,885)	200,816,442	-	(51,617,651)	(1,220,891)	(926,500)	142,531,515
	<u>916,127,760</u>	<u>2,043,502,199</u>	<u>404,293,962</u>	<u>5,001,807,226</u>	<u>502,514,756</u>	<u>405,284,846</u>	<u>9,273,530,749</u>
Segment operating profit (loss)	<u>(P 662,206,450)</u>	<u>(P 1,502,078,682)</u>	<u>(P 27,626,489)</u>	<u>(P 1,851,909,126)</u>	<u>P 15,689,407</u>	<u>(P 13,547,163)</u>	<u>(P 4,041,678,503)</u>

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	<u>2023</u>	<u>2022</u> (As restated - see Note 2)	<u>2021</u> (As restated - see Note 2)
Revenues			
Total segment revenues	P 8,054,354,022	P 7,385,397,093	P 5,231,852,246
Elimination of intersegment revenues	(1,006,655,974)	(952,643,824)	(763,288,574)
Reported as profit or loss	<u>P 7,047,698,048</u>	<u>P 6,432,753,269</u>	<u>P 4,468,563,672</u>
Profit or loss			
Segment operating loss	(P 1,099,966,606)	(P 2,491,510,179)	(P 4,041,678,503)
Other unallocated expense	<u>52,764,507</u>	<u>16,855,009</u>	<u>72,628,399</u>
Loss before tax as reported in profit or loss	(<u>P 1,047,202,099</u>)	(<u>P 2,474,655,170</u>)	(<u>P 3,969,050,104</u>)
Assets			
Segment Assets	P 61,250,970,909	P 62,064,167,578	
Elimination of intercompany accounts	(<u>28,308,553,948</u>)	(<u>28,778,640,581</u>)	
Total assets as reported in the consolidated statement of financial position	<u>P 32,942,416,961</u>	<u>P 33,285,526,997</u>	
Liabilities			
Segment Liabilities	47,756,132,158	47,701,520,174	
Elimination of intercompany accounts	(<u>18,717,986,670</u>)	(<u>18,143,068,914</u>)	
Total liabilities as reported in the consolidated statement of financial position	<u>P 29,038,145,488</u>	<u>P 29,558,451,260</u>	

24.5 Disaggregation of Revenues from Contracts with Customers

The disaggregation of revenues based on the timing of satisfaction of performance obligations for the years ended December 31 are shown below.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues recognized over time:			
Freight	P 3,496,161,918	P 3,383,199,650	P 2,727,204,296
Passage	1,840,302,921	1,224,793,917	292,861,800
Charter fees	650,762,923	718,310,785	553,604,003
Other service revenues	529,965,865	567,512,968	518,914,366
Tugboat fees	<u>372,371,341</u>	<u>424,350,566</u>	<u>327,677,892</u>
	6,889,564,968	6,318,167,886	4,420,262,357
Revenues recognized at a point in time -			
Sale of goods	<u>158,133,080</u>	<u>114,585,383</u>	<u>48,301,315</u>
Total revenues	<u>P 7,047,698,048</u>	<u>P 6,432,753,269</u>	<u>P 4,468,563,672</u>

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 and in the succeeding page.

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, 2023 and 2022 closing rates follow:

	<u>2023</u>	<u>2022</u>
Financial assets	P 56,649,350	P 5,211,797
Financial liabilities	(934,222,696)	(1,181,061,345)
Net exposure	(P 877,573,346)	(P 1,175,849,548)

If the Philippine peso had strengthened against the U.S. dollar, loss before tax in 2023 and 2022 would have decreased by P140.6 million and P187.4 million, respectively. If the Philippine peso had weakened against the U.S. dollar, then this would have increased loss before tax in 2023 and 2022, respectively, by the same amount. This sensitivity of the net result for the period assumes a +/-16.02% and +/-15.94% change of the Philippine peso/U.S. dollar exchange rate for the periods ended December 31, 2023 and 2022, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in 12 months for 2023 and 2022 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, 2023 and 2022, 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 +/- 0.78% in 2023 and +/- 1.49% in 2022, respectively. Bank loans, which vary with certain foreign interest rates, are tested on a reasonably possible change of +/- 0.11% in 2023 and 2022. 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.

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.

Generally, 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 or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	2023	2022
Cash and cash equivalents	4	P 392,586,988	P 236,810,520
Trade and other receivables – net (excluding advances to officers and employees)	5	1,657,398,799	1,831,297,046
Restricted cash	7, 11	7,160,166	5,295,882
Security deposits	11	50,355,290	47,360,694
Advances to related parties	19.4	7,626,252,787	7,619,279,150
		P 9,733,754,030	P 9,740,043,292

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used and credit verification procedures are performed. The Group's policy is to deal only with creditworthy counterparties.

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, 2023 and 2022, 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, 2023 and 2022 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	Total
December 31, 2023					
Expected loss rate	0.00%	28.17%	50.19%	81.94%	
Gross carrying amount - trade receivables	198,395,522	96,636,313	36,418,001	1,242,009,891	1,573,459,727
Loss allowance	-	27,225,192	18,279,736	1,017,755,121	1,063,260,048
December 31, 2022					
Expected loss rate	0.00%	28.24%	19.75%	74.01%	
Gross carrying amount - trade receivables	150,019,585	153,760,466	63,956,261	1,358,244,147	1,725,980,458
Loss allowance	-	43,417,242	12,632,996	1,011,041,744	1,067,091,982

The Group also considers the existence of financial liabilities, which may be offset against the outstanding trade receivables with the same counterparty. Portion of the financial assets past due for more than three months in both years pertain 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 (see Notes 19.1 and 19.2).

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.

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. The Group also considers possible recovery strategies and the expected manner in which those will be realized and cash would be available for payment of the advances. Management assessed that the outstanding advances from related parties as of December 31, 2023 and 2022 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.

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.

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, 2023, 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 1,292,581,561	P 2,565,149,039	P 11,226,730,316	P 7,835,554,790
Trade and other payables (except for government-related obligations)	13	6,320,650,544	-	-	-
Advances from related parties	19.4	252,000,000	252,000,000	-	-
		P 7,865,232,105	P 2,817,149,039	P 11,226,730,316	P 7,835,554,790

As at December 31, 2022, 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, as restated	12	P 4,013,267,930	P 2,016,566,351	P 11,687,348,178	P 5,255,758,463
Trade and other payables (except for government-related obligations), as restated	13	6,108,387,879	-	-	-
Advances from related parties	19.4	264,745,195	264,745,196	-	-
		P 10,386,401,004	P 2,281,311,547	P 11,687,348,178	P 5,255,758,463

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

For financial assets and financial liabilities as of December 31, 2023 and 2022, management considers that the carrying amounts of the financial instruments approximate their fair values.

			2023		2022 (As restated - see Note 2)	
	Notes		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets —						
<i>At amortized cost:</i>						
Cash and cash equivalents	4	P	392,586,988	P 392,586,988	P 236,810,520	P 236,810,520
Trade and other receivables - net	5		594,138,751	594,138,751	764,205,064	764,205,064
Restricted cash	8, 11		7,160,166	7,160,166	5,295,882	5,295,882
Security deposits	8, 11		50,355,290	50,355,290	47,360,694	47,360,694
Advances to related parties	19.4		7,626,252,787	7,626,252,787	7,619,279,150	7,619,279,150
		P	8,670,493,982	P 8,670,493,982	P 8,672,951,310	P 8,672,951,310
Financial Liabilities —						
<i>At amortized cost:</i>						
Trade and other payables	13	P	7,865,124,898	P 7,865,124,898	P 7,949,953,375	P 7,949,953,375
Interest-bearing loans	12		17,038,326,339	12,757,839,701	18,070,833,789	13,108,602,919
Advances from related parties	19.4		504,000,000	504,000,000	529,490,390	529,490,390
		P	25,407,451,237	P 21,126,964,599	P 26,550,277,554	P 21,588,046,684

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 2023 and 2022 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 P7,428.3 million and P7,298.8 million as of December 31, 2023 and 2022, respectively, may be offset against the outstanding balances of trade and other payables and cash advances obtained from related parties totaling P3,935.3 million and P3,823.2 million as of December 31, 2023 and 2022, 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). None of these certain receivables were set off against the related interest-bearing loans in both years.

Certain cash balances are also restricted for use to secure line of credits with banks (see Notes 7 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 has no financial instruments measured at fair value as of December 31, 2023 and 2022.

27.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables in the succeeding page summarize the fair value hierarchy of the Group's financial assets and financial liabilities as of December 31, 2023 and 2022, which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

		2023			
		Level 1	Level 2	Level 3	Total
Financial Assets —					
<i>At amortized cost:</i>					
Cash and cash equivalents	P	392,586,988	P -	P -	P 392,586,988
Trade and other receivables - net		-	-	594,138,751	594,138,751
Restricted cash		7,160,166	-	-	7,160,166
Security deposits		-	-	50,355,290	50,355,290
Advances to related parties		-	-	7,626,252,787	7,626,252,787
	P	399,747,154	P -	P 8,270,746,828	P 8,670,493,982
Financial Liabilities —					
<i>At amortized cost:</i>					
Trade and other payables	P	-	P -	P 7,865,124,898	P 7,865,124,898
Interest-bearing loans		-	-	17,038,326,339	17,038,326,339
Advances from related parties		-	-	504,000,000	504,000,000
	P	-	P -	P 25,407,451,237	P 25,407,451,237
December 31, 2022 (As restated - see Note 2)					
		Level 1	Level 2	Level 3	Total
Financial Assets —					
<i>At amortized cost:</i>					
Cash and cash equivalents	P	236,810,520	P -	P -	P 236,810,520
Trade and other receivables - net		-	-	764,205,064	764,205,064
Restricted cash		5,295,882	-	-	5,295,882
Security deposits		-	-	47,360,694	47,360,694
Advances to related parties		-	-	7,619,279,150	7,619,279,150
	P	242,106,402	P -	P 8,430,844,908	P 8,672,951,310
Financial Liabilities —					
<i>At amortized cost:</i>					
Trade and other payables	P	-	P -	P 7,949,953,375	P 7,949,953,375
Interest-bearing loans		-	-	18,070,833,789	18,070,833,789
Advances from related parties		-	-	529,490,390	529,490,390
	P	-	P -	P 26,550,277,554	P 26,550,277,554

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 generally determined based on the appraisal reports of 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 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 and major repairs or part replacements 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.

For certain vessels of the Group, management changed the valuation technique used in 2020 from cost approach to income approach. Such change was done to present fair value that is more representative of the current circumstances, as the last appraisal reports for these vessels were obtained in 2016 and 2015. Information previously used to conduct the appraisal (i.e., access to the vessel by the independent appraiser) are not available; hence, a change from the cost approach to the income approach is necessary.

The fair values of these vessels were estimated using an income approach which utilizes the estimated income stream, net of projected operating costs, using a discount rate computed using capital asset pricing model. The estimated income stream takes into account the current contractual cash flows from the vessels including increase in rates and expectations of continued use of the vessels over the remaining economic life, and expected value of the vessels at the end of the remaining economic life of the vessels. The most significant inputs are the estimated cash flows, which were estimated to have escalation rates of 4% every five years and the discount rate used of 8.31%. The overall valuation are sensitive to changes in these valuations.

The fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for the differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter of the land; hence, the higher the price per square meter, the higher the fair value. For the construction-in-progress, management considers that the carrying amount of the investment property approximates its fair value as the capitalized costs pertain to recent transactions incurred for the on-going construction.

As at December 31, 2023 and 2022, the fair value of the land classified under investment properties amounted to P1,881.1 and P1,520.1 million, respectively as determined by reference to current prices for similar properties in the same location and condition. Accordingly, the Company's investment properties as at December 31, 2023 and 2022 is not impaired.

The valuation of these non-financial assets are determined to be Level 3. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2023 and 2022.

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>2023</u>	2022 (As restated - see Note 2)
Total liabilities	P 29,047,086,313	P 29,558,451,260
Total equity	<u>3,904,271,473</u>	<u>3,727,075,737</u>
Debt-to-equity ratio	<u>7.44 : 1.00</u>	<u>7.93 : 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 (see Note 12).

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 issue new shares or sell assets to reduce debt.

29. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below and in the succeeding page are the supplemental information on non-cash investing and financing activities relative to the consolidated statements of cash flows of the Group.

- (a) In 2023, the Group divested its stake in Oroport for a total consideration of P535.3 million in which a certain loan with outstanding balance of P335.3 million was offset as part of the consideration (see Notes 10 and 12). The related accrued interest payable of P54.5 million and P7.0 million as of December 31, 2022 and 2021, respectively.
- (b) In 2023, the Company converted certain loans totaling to P233.4 million to equity and is presented as part of Capital stock and APIC as of December 31, 2023.
- (c) In 2023 and 2022, the Group recognized right-of-use assets and lease liabilities, with outstanding balances amounting to P17.8 million and P122.7 million, respectively and are presented as part of Property of Equipment and Interest-bearing Loans and Borrowings in the consolidated statements of financial position. In 2023 and 2022, the Group has pre-terminated a lease of lot with a right-of-use assets and lease liabilities amounting to P12.9 million and P19.1 million and P18.9 million and P21.4 million, respectively (see Notes 9 and 12).

- (d) In 2022, the Company reclassified its outstanding Deposits for future stock subscriptions to Capital stock and APIC amounting to P720.4 million upon approval of the increase in authorized capital stock of the Company by SEC (see Note 20).
- (e) In 2021, a related party under common ownership settled a portion of the Group's outstanding loan balance with DBP on behalf of certain subsidiaries (see Notes 13 and 19.4).
- (f) In 2021, the Group sold its investment in 2GO for a total consideration of P7,460.3 million to a third parties. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the Parent Company and is formed part of Advances to Related Parties in the 2021 consolidated statement of financial position. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner.
- (g) In 2021, the Group reclassified its land and CIP with a carrying amount of P1,199.7 million and P232.6 million, respectively, from Property and equipment to Investment properties as management has determined that the use of these properties is currently undetermined (see Notes 8 and 9). There was no similar transaction in 2023 and 2022.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

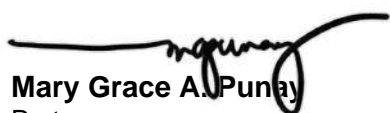
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The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampanga, Davao City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Chelsea Logistics and Infrastructure Holdings Corp. and subsidiaries (together hereinafter referred to as the Group) for the year ended December 31, 2023, on which we have rendered our report dated August 2, 2024. Our audit was made for the purpose of forming an opinion on the basic 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: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 9477629, January 12, 2024, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 2, 2024

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

Financial Statements

Statement of Management's Responsibility for Consolidated Financial Statements
Independent Auditors' Report
Consolidated Statements of Financial Position as of December 31, 2023 and 2022
Consolidated Statements of Profit or Loss for the year ended December 31, 2023, 2022 and 2021
Consolidated Statements of Comprehensive Income for the year ended December 31, 2023, 2022 and 2021
Consolidated Statements of Changes in Equity for the year ended December 31, 2023, 2022 and 2021
Consolidated Statements of Cash Flows for the year ended December 31, 2023, 2022 and 2021
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
Financial Soundness Indicators

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES

(A Subsidiary of Udenna Corporation)

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2023

(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>
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- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**
DECEMBER 31, 2023
(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 <u>148,223,838</u>	P <u>2,661,432</u>	P <u>-</u>	P <u>-</u>	P <u>150,885,270</u>	P <u>-</u>	P <u>150,885,270</u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Philippine Pesos)

Name and designation of debtor	Affected Accounts	Balance at beginning of year	Additions	Deductions		Ending Balance		Balance at end of year
				Amounts collected	Amounts written off	Current	Not current	
Chelsea Logistics and Infrastructure Holdings Corp.	Trade Receivables	881,534,333	490,025,974	365,132,664	-	1,006,427,643	-	1,006,427,643
Bunkers Manila, Inc.	Trade Payables	2,350,836	-	2,350,836	-	-	-	-
CD Ship Management & Marine Services Corp.	Trade Payables	5,202,087	2,476,545	5,202,087	-	2,476,545	-	2,476,545
Chelsea Marine Manpower Resources, Inc.	Trade Payables	2,215,790	856,010	-	-	3,071,801	-	3,071,801
Chelsea Ship Management & Marine Services Corp.	Trade Payables	5,330,960	1,108,887	5,505,536	-	934,311	-	934,311
Chelsea Shipping Corp.	Trade Payables	51,874,340	13,471,671	51,874,340	-	13,471,671	-	13,471,671
Davao Gulf Marine Services Inc.	Trade Payables	8,401,072	11,717,465	17,974,932	-	2,143,605	-	2,143,605
Dynamic Cuisine, Inc.	Trade Payables	7,994,987	2,632,658	-	-	10,627,645	-	10,627,645
Fortis Tugs Corporation	Trade Payables	10,406,695	10,653,434	16,800,674	-	4,259,454	-	4,259,454
Michael, Inc.	Trade Payables	429,394	-	429,394	-	-	-	-
Oceanstar Shipping Corp.	Trade Payables	5,861,702	1,575,941	-	-	7,437,643	-	7,437,643
PNX- Chelsea Shipping Corp.	Trade Payables	23,449,551	13,869,555	20,698,705	-	16,620,401	-	16,620,401
Quality Metal & Shipworks, Inc.	Trade Payables	13,503,125	2,239,848	-	-	15,742,973	-	15,742,973
Starbites Food Services Corp.	Trade Payables	12,753,665	8,942,569	-	-	21,696,234	-	21,696,234
Starlite Ferries, Inc.	Trade Payables	246,746,259	212,085,754	178,129,836	-	280,702,177	-	280,702,177
Starlite Gallant Ferries, Inc.	Trade Payables	18,164,000	41,664,000	45,944,000	-	13,884,000	-	13,884,000
Starys Shoppe, Inc.	Trade Payables	2,787,878	1,142,401	-	-	3,930,279	-	3,930,279
The Supercat Fast Ferry Corp.	Trade Payables	-	151,272	-	-	151,272	-	151,272
Trans-Asia Shipping Lines Inc.	Trade Payables	421,064,407	130,178,696	-	-	551,243,102.9	-	551,243,103
Worklinks Services Inc.	Trade Payables	42,997,584	35,259,268	20,222,324	-	58,034,527	-	58,034,527
Chelsea Ship Management & Marine Services Corp.	Trade Receivables	32,393,640	37,372,445	37,331,984	-	32,434,101	-	32,434,101
Bunkers Manila, Inc.	Trade Payables	(701,032)	67,200	(661,832)	-	28,000	-	28,000
Chelsea Shipping Corp.	Trade Payables	12,180,708	27,177,045	13,851,084	-	25,506,669	-	25,506,669
Fortis Tugs Corporation	Trade Payables	806,189	6,147,205	6,336,008	-	3,317,386	-	3,317,386
Michael, Inc.	Trade Payables	2,293,373	134,400	2,371,773	-	56,000	-	56,000
PNX-Chelsea Shipping Corp.	Trade Payables	17,814,401	3,846,595	18,134,951	-	3,526,046	-	3,526,046
CD Ship Management & Marine Services Corp.	Trade Receivables	36,383,994	49,530,907	48,298,501	-	37,616,400	-	37,616,400
PNX-Chelsea Shipping Corp.	Trade Payables	2,314,380	179,200	2,429,640	-	63,940	-	63,940
Starlite Ferries, Inc.	Trade Payables	11,725,688	30,761,956	40,576,827	-	1,910,817	-	1,910,817
The Supercat Fast Ferry Corp.	Trade Payables	4,803,750	5,859,410	5,292,034	-	5,371,126	-	5,371,126
Trans-Asia Shipping Lines, Incorporated	Trade Payables	17,540,176	12,730,341	-	-	30,270,517	-	30,270,517
Chelsea Marine Manpower Resources, Inc.	Trade Receivables	176,906,971	310,858,552	276,392,131	-	211,373,392	-	211,373,392
Bunkers Manila, Inc.	Trade Payables	3,311,148	2,504,858	4,763,658	-	1,052,348	-	1,052,348
Chelsea Shipping Corp.	Trade Payables	27,118,485	87,744,058	33,050,256	-	81,812,286	-	81,812,286
Davao Gulf Marine Services, Inc.	Trade Payables	1,454,030	12,786,427	13,530,326	-	710,131	-	710,131
Fortis Tugs Corporation	Trade Payables	7,569,534	30,398,152	34,403,974	-	3,563,712	-	3,563,712
Michael, Inc.	Trade Payables	6,965,625	8,372,510	10,547,912	-	4,790,223	-	4,790,223
PNX-Chelsea Shipping Corp.	Trade Payables	89,421,157	28,655,256	34,305,943	-	83,770,470	-	83,770,470
Starlite Ferries, Inc.	Trade Payables	17,445,941	91,005,429	103,561,959	-	4,889,411	-	4,889,411
Starlite Gallant Ferries, Inc.	Trade Payables	250,110	-	-	-	250,110	-	250,110
The Supercat Fast Ferry Corporation	Trade Payables	12,875,752	17,322,693	21,093,968	-	9,104,477	-	9,104,477
Trans-Asia Shipping Lines Inc.	Trade Payables	10,495,189	32,069,168	21,134,133	-	21,430,224	-	21,430,224
Fortis Tugs Corporation	Trade Receivables	27,449,912	30,625,400	34,473,412	-	23,601,900	-	23,601,900
Trans-Asia Shipping Lines Inc.	Trade Payables	9,389,520	1,192,500	795,000	-	9,787,020	-	9,787,020
Starlite Ferries, Inc.	Trade Payables	1,063,616	1,022,000	1,873,616	-	212,000	-	212,000
Chelsea Shipping Corp.	Trade Payables	1,605,800	4,001,200	5,131,000	-	476,000	-	476,000
Bunkers Manila, Inc.	Trade Payables	16,800	-	16,800	-	-	-	-
Michael, Inc.	Trade Payables	176,400	548,800	627,200	-	98,000	-	98,000
PNX- Chelsea Shipping Corp.	Trade Payables	587,286	2,164,400	1,595,286	-	1,156,400	-	1,156,400
Davao Gulf Marine Services Inc.	Trade Payables	14,005,690	21,504,000	23,829,710	-	11,679,980	-	11,679,980
The Supercat Fast Ferry Corporation	Trade Payables	604,800	192,500	604,800	-	192,500	-	192,500
TASLI Services, Inc.	Trade Receivables	10,533,591	21,756,503	22,318,958	-	9,971,136	-	9,971,136
Trans-Asia Shipping Lines Inc.	Trade Payables	10,533,591	21,756,503	22,318,958	-	9,971,136	-	9,971,136
Starlite Ferries, Inc.	Trade Receivables	22,055,000	1,737,445	-	-	23,792,445	-	23,792,445
The Supercat Fast Ferry Corporation	Trade Payables	22,055,000	1,737,445	-	-	23,792,445	-	23,792,445
PNX- Chelsea Shipping Corp.	Trade Receivables	17,920,000	-	-	-	17,920,000	-	17,920,000
Trans-Asia Shipping Lines Inc.	Trade Payables	17,920,000	-	-	-	17,920,000	-	17,920,000
Starlite Gallant Ferries, Inc.	Trade Receivables	710,103,858	154,560,000	257,960,000	-	606,703,858	-	606,703,858
Trans-Asia Shipping Lines Inc.	Trade Payables	190,163,465	-	-	-	190,163,465	-	190,163,465
Starlite Ferries, Inc.	Trade Payables	519,940,393	154,560,000	257,960,000	-	416,540,393	-	416,540,393
Starlite Premiere Ferries, Inc.	Trade Receivables	157,022,431	48,384,000	129,171,600	-	76,234,831	-	76,234,831
Starlite Ferries, Inc.	Trade Payables	157,022,431	48,384,000	129,171,600	-	76,234,831	-	76,234,831
Fortis Tugs Corporation	Dividends receivable	5,249,000	16,123,500	10,874,500	-	-	-	-
Davao Gulf Marine Services, Inc.	Dividends payable	5,249,000	16,123,500	10,874,500	-	-	-	-
Trans-Asia Shipping Lines Inc.	Dividends receivable	9,500,000	-	9,500,000	-	-	-	-
Quality Metal & Shipworks, Inc.	Dividends payable	5,000,000	-	5,000,000	-	-	-	-
Dynamic Cuisine, Inc.	Dividends payable	1,500,000	-	1,500,000	-	-	-	-
Starys Shoppe, Inc.	Dividends payable	3,000,000	-	3,000,000	-	-	-	-

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE D - INTANGIBLE ASSETS
DECEMBER 31, 2023
(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 1,774,083,332	P -	P -	P -	P -	P 1,774,083,332
Software	<u>32,855,126</u>	<u>1,300,447</u>	<u>3,690,728</u>	<u>-</u>	<u>-</u>	<u>30,464,845</u>
	<u>P 1,806,938,458</u>	<u>P 1,300,447</u>	<u>P 3,690,728</u>	<u>P -</u>	<u>P -</u>	<u>P 1,804,548,177</u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2023
(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 12,447,647,631	P 624,924,007	P 10,370,290,498
Bank loans	3,130,622,977	3,008,112,614	122,510,363
Mortgage loans	174,007,009	20,297,990	153,709,019
Lease Liabilities	<u>2,738,481,848</u>	<u>202,359,754</u>	<u>2,536,122,094</u>
	<u>P 18,490,759,465</u>	<u>P 3,855,694,365</u>	<u>P 13,182,631,974</u>

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2023
(Amounts in Philippine Pesos)

<i>Name of related party</i>	<i>Balance at beginning of year</i>	<i>Balance at end of year</i>
------------------------------	-------------------------------------	-------------------------------

- Nothing to report -

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
SCHEDULE G - GUARANTEE OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2023
(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
(A Subsidiary of Udenna Corporation)
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number or Shares Held By		
				Related Parties (Parent, Affiliates)	Directors, Officers and Employees	Others
Common Shares	3,490,000,000	2,143,518,615	Not Applicable	1,519,134,606	2,454,808	621,929,201
Preferred Shares	10,000,000	500,000	Not Applicable	-	-	-

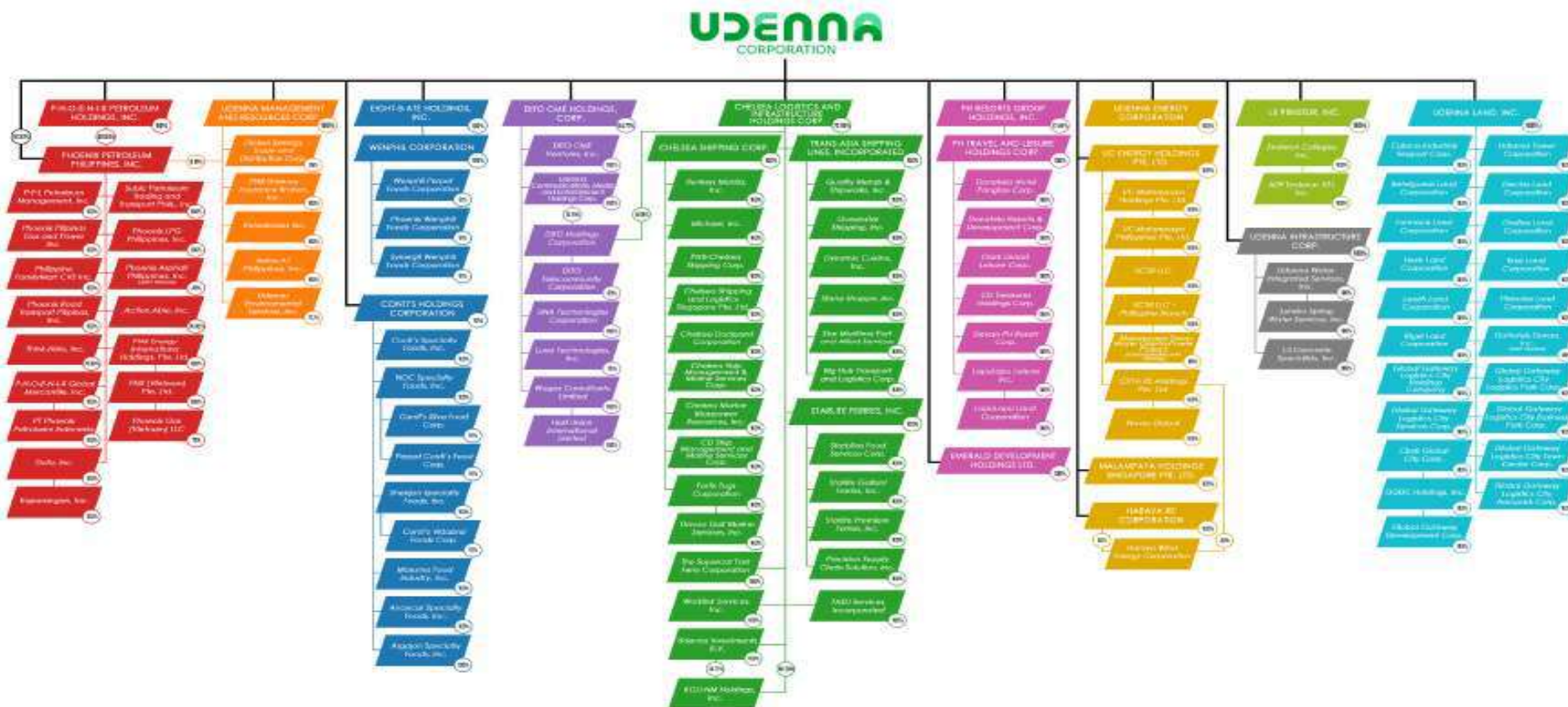
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road, Bo. Pampanga, Davao City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2023

RETAINED EARNINGS AT BEGINNING OF YEAR		(P	647,276,799)
Less: Deferred tax income		(	<u>269,248,889</u>)
DEFICIT AT BEGINNING OF YEAR (As Adjusted)		(	916,525,688)
Net Income Actually Incurred during the Year			
Net loss for the year	(P	323,249,754)	
Less: Deferred tax income		<u>120,970,571</u>	(<u>202,279,183</u>)
RETAINED EARNINGS AT END OF YEAR		(P	<u><u>1,118,804,871</u></u>)

(A Subsidiary of Udenna Corporation)

December 31, 2023



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 8988 2288

The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure Holdings Corp. and Subsidiaries
(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, 2023, on which we have rendered our report dated July 8, 2024. 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, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By:  **Mary Grace A. Punay**
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 9477629, January 12, 2024, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 2, 2024

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Holdings Corp.)
(A Subsidiary of Udenna Corporation)
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2023, 2022 and 2021
(Amounts in Philippine Pesos)

	2023		2022 (As restated)		2021 (As restated)	
I. CURRENT/LIQUIDITY RATIOS						
Current Ratio						
Current Assets	<u>10,946,207,568</u>		<u>10,667,919,103</u>		<u>11,038,120,177</u>	
Current Liabilities	<u>15,057,386,665</u>	0.73	<u>16,746,784,136</u>	0.64	<u>16,614,301,436</u>	0.66
Acid Test Ratio						
Current Assets - Inventories and						
Other Current Assets	<u>8,641,696,232</u>		<u>8,646,138,701</u>		<u>9,119,442,247</u>	
Current Liabilities	<u>15,057,386,665</u>	0.57	<u>16,746,784,136</u>	0.52	<u>16,614,301,436</u>	0.55
II. SOLVENCY RATIOS						
Debt-to-assets Ratio						
Total Liabilities	<u>29,047,086,313</u>		<u>29,558,451,260</u>		<u>28,856,176,116</u>	
Total Assets	<u>32,951,357,786</u>	0.88	<u>33,285,526,997</u>	0.89	<u>34,462,902,956</u>	0.84
III. DEBT-TO-EQUITY RATIO						
Debt-to-equity Ratio						
Total Liabilities	<u>29,047,086,313</u>		<u>29,558,451,260</u>		<u>28,856,176,116</u>	
Total Equity	<u>3,904,271,473</u>	7.44	<u>3,727,075,737</u>	7.93	<u>5,606,726,840</u>	5.15
ASSET-TO-EQUITY RATIO						
Asset-to-equity Ratio						
Total Assets	<u>32,951,357,786</u>		<u>33,285,526,997</u>		<u>34,462,902,956</u>	
Total Equity	<u>3,904,271,473</u>	8.44	<u>3,727,075,737</u>	8.93	<u>5,606,726,840</u>	6.15
IV. INTEREST RATE COVERAGE RATIO						
Interest Coverage Ratio						
EBITDA	<u>1,540,808,522</u>		<u>987,385,388</u>		<u>304,411,273</u>	
Interest Expense	<u>1,227,384,987</u>	1.26	<u>1,255,697,606</u>	0.79	<u>1,410,276,088</u>	0.22
V. PROFITABILITY RATIOS						
Return on equity						
Net Loss	<u>(1,142,830,770)</u>		<u>(2,531,335,956)</u>		<u>(3,903,571,413)</u>	
Shareholders' equity	<u>3,904,271,473</u>	(0.29)	<u>3,727,075,737</u>	(0.68)	<u>5,606,726,840</u>	(0.70)
Return on assets						
Net Loss	<u>(1,142,830,770)</u>		<u>(2,531,335,956)</u>		<u>(3,903,571,413)</u>	
Total Assets	<u>32,951,357,786</u>	(0.03)	<u>33,285,526,997</u>	(0.08)	<u>34,462,902,956</u>	(0.11)
Net Profit Ratio						
Net Loss	<u>(1,142,830,770)</u>		<u>(2,531,335,956)</u>		<u>(3,903,571,413)</u>	
Total Revenues	<u>7,047,698,048</u>	(0.16)	<u>6,432,753,269</u>	(0.39)	<u>4,468,563,672</u>	(0.87)
Gross Profit Ratio						
Gross Profit (Loss)	<u>1,449,323,514</u>		<u>791,000,112</u>		<u>(435,267,738)</u>	
Total Revenues	<u>7,047,698,048</u>	0.21	<u>6,432,753,269</u>	0.12	<u>4,468,563,672</u>	(0.10)
EBITDA Margin						
EBITDA	<u>1,540,808,522</u>		<u>987,385,388</u>		<u>304,411,273</u>	
Total Revenues	<u>7,047,698,048</u>	22%	<u>6,432,753,269</u>	15%	<u>4,468,563,672</u>	7%
VI. OTHER RATIOS						
Book Value Per Share - common						
Total Equity	<u>3,904,271,473</u>		<u>3,727,075,737</u>		<u>5,606,726,840</u>	
Number of Shares Outstanding	<u>2,144,018,615</u>	1.82	<u>1,916,227,615</u>	1.95	<u>1,821,977,615</u>	3.08
Earnings Per Share						
Net Loss	<u>(1,142,830,770)</u>		<u>(2,531,335,956)</u>		<u>(3,903,571,413)</u>	
Weighted Average No. of Shares	<u>1,948,175,365</u>	(0.59)	<u>1,884,810,948</u>	(1.34)	<u>1,821,977,615</u>	(2.14)



SECURITIES AND EXCHANGE COMMISSION

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1209 Trunk Line No: 02-5322-7696 Email Us: www.sec.gov.ph / imessagemo@sec.gov.ph



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Receipt Date and Time: May 20, 2024 12:09:15 PM

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SEC Registration No.: CS201619734

Company Name: CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

Industry Classification: J66940

Company Type: Stock Corporation

Document Information

Document ID: OST10520202482608386

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Parent

Remarks: None

Acceptance of this document is subject to review of forms and contents

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- EAFS009393167TCRTY122023-01.pdf
- EAFS009393167AFSTY122023.pdf
- EAFS009393167ITRTY122023.pdf
- EAFS009393167RPTTY122023.pdf

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Transaction Code: **AFS-0-MZ42XMZW034RTVWQZQ3TWTVWZ08JB8AKC8**

Submission Date/Time: **May 16, 2024 08:32 AM**

Company TIN: **009-393-167**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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

The management of Chelsea Logistics and Infrastructure Holdings Corp. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders or members, 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 CEO
TIN 913-898-959


IGNACIA S. BRAGA IV

Chief Financial Officer
TIN 108-038-078

SUBSCRIBED AND SWORN to before me this 14 MAY 2024 day of _____ 2024 at Taguig City,
affiants exhibited to me their respective TIN.

Doc. No. 16
Page No. 4
Book No. XL
Series of 2024

ATTY. IRISH S. PRECION
Notary Public for Taguig City
Appointment No. 23 (2023-2024)

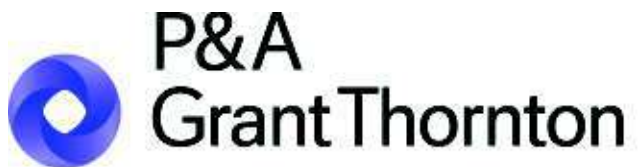
Roll No. 59261/05.31.17 / IBF No. 257478/12.29.23

PTR No. A-6123616/01.02.24/Taguig City

MCLE Compliance No. VII-0020815 valid until 04-14-25

Ground Floor FTI Old Admin. Bldg. FTI Complex, Taguig City

precision@msn.com / 09088534549



FOR SEC FILING

Financial Statements and
Independent Auditors' Report

**Chelsea Logistics and Infrastructure
Holdings Corp.**

December 31, 2023, 2022 and 2021

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Chelsea Logistics and Infrastructure Holdings Corp. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years ended December 31, 2023, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years ended December 31, 2023 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Company's financial statements of the business disruptions brought by the impact of the Russia-Ukraine conflict, and the increasing liquidity risk arising from the Company's high debt-leveraged status. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), which we obtained prior to the date of the auditors' report, and the Company's SEC Form 17-A and Annual Report, which are expected to be made available to us after that date, for the years ended December 31, 2023, but does not include the financial statements and our auditors' report thereon.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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


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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023 required by the Bureau of Internal Revenue as disclosed in Note 23 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the 2023 audit resulting in this independent auditors' report is Mary Grace A. Punay.

PUNONGBAYAN & ARAULLO



By: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 9477629, January 12, 2024, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 14, 2024

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

<u>A S S E T S</u>	<u>Notes</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash	2	P 58,486,779	P 3,261,170
Trade and other receivables	4	1,012,072,479	885,178,227
Advances to related parties	14	8,788,771,532	8,817,000,212
Other current assets	5	284,139,420	277,033,216
Total Current Assets		<u>10,143,470,210</u>	<u>9,982,472,825</u>
NON-CURRENT ASSETS			
Property and equipment - net	6	71,903,003	99,587,960
Investment property	7	1,270,907,962	1,270,907,962
Investments in subsidiaries and an associate - net	8	13,723,265,814	14,213,096,126
Deferred tax assets - net	13	381,377,943	268,329,485
Other non-current assets - net	5	72,724,905	78,243,995
Total Non-current Assets		<u>15,520,179,627</u>	<u>15,930,165,528</u>
TOTAL ASSETS		<u>P 25,663,649,837</u>	<u>P 25,912,638,353</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	P 342,692,964	P 1,128,422,362
Accounts and other payables	9	2,506,729,808	2,453,074,197
Advances from related parties	14	9,130,645,021	9,503,056,635
Total Current Liabilities		<u>11,980,067,793</u>	<u>13,084,553,194</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	10	1,247,328,571	805,091,276
Post-employment benefit obligation	12	42,546,378	28,394,316
Total Non-current Liabilities		<u>1,289,874,949</u>	<u>833,485,592</u>
Total Liabilities		<u>13,269,942,742</u>	<u>13,918,038,786</u>
EQUITY			
Capital stock	15	2,144,018,615	1,916,227,615
Additional paid-in capital	15	11,204,327,157	10,709,745,157
Share options outstanding	15	16,043,994	12,608,283
Revaluation reserves		(156,117)	3,295,311
Deficit		(970,526,553)	(647,276,799)
Total Equity		<u>12,393,707,096</u>	<u>11,994,599,567</u>
TOTAL LIABILITIES AND EQUITY		<u>P 25,663,649,838</u>	<u>P 25,912,638,353</u>

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
REVENUES	14	P 399,893,791	P 373,544,871	P 253,921,310
OPERATING EXPENSES				
Salaries and employee benefits	12	97,491,349	80,268,547	84,864,758
Outside services		56,827,743	103,027,949	173,447,506
Professional fees		33,220,837	5,320,813	1,899,793
Depreciation and amortization	5, 6	30,339,198	33,327,027	54,226,897
Fines and penalties		29,244,068	10,229,259	7,895,227
Taxes and licenses		6,211,012	6,340,738	15,293,762
Dues and subscriptions		3,905,490	4,578,801	4,235,162
Transportation and travel		2,632,260	1,964,674	1,118,473
Rental	10	2,054,410	561,103	174,565
Advertising and promotion		1,377,389	1,150,947	568,532
Directors' fees		766,667	1,300,333	400,000
Supplies		384,467	280,088	22,385
Insurance		199,522	267,835	17,338
Miscellaneous		3,976,023	4,428,005	12,786,471
		<u>268,630,435</u>	<u>253,046,119</u>	<u>356,950,869</u>
OPERATING INCOME (LOSS)		<u>131,263,356</u>	<u>120,498,752</u>	<u>(103,029,559)</u>
OTHER INCOME (CHARGES)				
Impairment loss on investment in a subsidiary	8	(489,830,312)	(983,204,565)	-
Finance costs	11	(148,385,338)	(171,575,324)	(169,820,292)
Finance income	14	38,116,922	37,204,945	11,466
Gain on debt modification	10	36,290,354	3,677,615	-
Other income	11	2,171,165	4,548,399	4,517,885
Gain on redemption of preferred shares	8	-	-	355,491,306
		<u>(561,637,209)</u>	<u>(1,109,348,930)</u>	<u>190,200,365</u>
PROFIT (LOSS) BEFORE TAX		<u>(430,373,853)</u>	<u>(988,850,178)</u>	<u>87,170,806</u>
TAX INCOME	13	<u>107,124,099</u>	<u>251,614,164</u>	<u>1,570,075</u>
NET PROFIT (LOSS)		<u>(323,249,754)</u>	<u>(737,236,014)</u>	<u>88,740,881</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Remeasurement of post-employment benefit obligation	12	(4,601,904)	6,405,025	4,218,875
Tax income (expense)	13	<u>1,150,476</u>	<u>(1,601,256)</u>	<u>(1,366,226)</u>
		<u>(3,451,428)</u>	<u>4,803,769</u>	<u>2,852,649</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u>(P 326,701,182)</u>	<u>(P 732,432,245)</u>	<u>P 91,593,530</u>
Earnings (loss) per share –				
Basic and diluted	16	<u>(P 0.166)</u>	<u>P 0.390</u>	<u>P 0.049</u>

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenma Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Deposits on Future Stock Subscriptions	Share Options Outstanding	Revaluation Reserves	Retained Earnings (Deficit)	Total
Balance at January 1, 2023		P 1,916,227,615	P 10,709,745,157	P -	P 12,608,283	P 3,295,311	(P 647,276,799)	P 11,994,599,567
Collection of subscriptions during the year	15	150,000,000	339,000,000	-	-	-	-	489,000,000
Issuance of common shares during the year	15	77,791,000	155,582,000	-	-	-	-	233,373,000
Share based compensation	12, 15	-	-	-	3,435,711	-	-	3,435,711
Total comprehensive loss for the year		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(323,249,754)	(323,249,754)
Other comprehensive loss		-	-	-	-	(3,451,428)	-	(3,451,428)
Balance at December 31, 2023		<u>P 2,144,018,615</u>	<u>P 11,204,327,157</u>	<u>P -</u>	<u>P 16,043,994</u>	<u>(P 156,117)</u>	<u>(P 970,526,553)</u>	<u>P 12,393,707,096</u>
Balance at January 1, 2022		P 1,821,977,615	P 9,998,370,157	P 720,425,000	P 6,197,941	(P 1,508,458)	P 89,959,215	P 12,635,421,470
Subscriptions of common shares during the year	15	93,750,000	211,875,000	(305,625,000)	-	-	-	-
Issuance of preferred shares during the year	15	500,000	499,500,000	(414,800,000)	-	-	-	85,200,000
Share based compensation	12, 15	-	-	-	6,410,342	-	-	6,410,342
Total comprehensive income (loss) for the year		-	-	-	-	-	(737,236,014)	(737,236,014)
Net loss		-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	4,803,769	-	4,803,769
Balance at December 31, 2022		<u>P 1,916,227,615</u>	<u>P 10,709,745,157</u>	<u>P -</u>	<u>P 12,608,283</u>	<u>P 3,295,311</u>	<u>(P 647,276,799)</u>	<u>P 11,994,599,567</u>
Balance at January 1, 2021		P 1,821,977,615	P 9,998,370,157	P 662,596,200	P 4,826,196	(P 4,361,107)	P 1,218,334	P 12,484,627,395
Deposits received on future stock subscriptions	15	-	-	57,828,800	-	-	-	57,828,800
Share based compensation	12, 15	-	-	-	1,371,745	-	-	1,371,745
Total comprehensive income for the year		-	-	-	-	-	-	-
Net income		-	-	-	-	-	88,740,881	88,740,881
Other comprehensive income		-	-	-	-	2,852,649	-	2,852,649
Balance at December 31, 2021		<u>P 1,821,977,615</u>	<u>P 9,998,370,157</u>	<u>P 720,425,000</u>	<u>P 6,197,941</u>	<u>(P 1,508,458)</u>	<u>P 89,959,215</u>	<u>P 12,635,421,470</u>

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 430,373,853)	(P 988,850,178)	P 87,170,806
Adjustments for:				
Impairment loss on investment in a subsidiary	8	489,830,312	983,204,565	-
Interest expense	11	148,208,222	153,592,009	154,583,465
Gain on debt modification	10	(36,290,354)	(3,677,615)	-
Depreciation and amortization	5, 6	30,339,198	33,327,027	54,226,897
Share option benefit expense	12, 15	3,435,711	6,410,342	1,371,745
Unrealized foreign currency exchange losses (gains)	10	(838,850)	13,097,700	10,059,000
Gain on sale of property and equipment	6, 11	(601,881)	(1,059,131)	-
Interest income		(13,189)	(4,945)	(11,466)
Gain on pretermination of lease	6, 11	-	(2,525,090)	(4,541,721)
Gain on redemption of preferred shares	8	-	-	(355,491,306)
Operating profit (loss) before working capital changes		203,695,316	193,514,684	(52,632,580)
Increase in trade receivables		(126,894,252)	(244,117,690)	(151,631,818)
Decrease in advances to related parties		28,228,680	214,874,030	197,536,578
Decrease (increase) in other current assets		(11,874,612)	2,027,217	(75,322,869)
Decrease (increase) in other non-current assets		3,552,399	(20,612,016)	-
Increase (decrease) in accounts and other payables		62,867,458	71,910,614	(120,706,668)
Increase in post-employment benefit obligation		9,550,158	4,580,902	4,143,881
Cash generated from (used in) operations		169,125,147	222,177,741	(198,613,476)
Interest received		13,189	4,945	11,466
Cash paid for final taxes		(5,476)	(3,220)	(1,871)
Net Cash From (Used in) Operating Activities		169,132,860	222,179,466	(198,603,881)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	6	(687,550)	-	(46,875)
Proceeds from disposal of property and equipment	6	601,881	2,849,322	-
Net Cash From (Used in) Investing Activities		(85,669)	2,849,322	(46,875)
CASH FLOWS FROM FINANCING ACTIVITIES				
Collection of subscription receivable	15	489,000,000	-	-
Proceeds from (repayments) of advances obtained from related parties	14	(372,411,614)	(116,483,536)	75,926,111
Repayments of interest-bearing loans and borrowings	10	(149,841,270)	(114,889,475)	(58,338,426)
Interest paid		(80,568,698)	(85,952,485)	(85,905,297)
Proceeds from deposits on future stock subscriptions	15	-	85,200,000	57,828,800
Proceeds from interest-bearing loans and borrowings	10	-	-	211,650,000
Net Cash From (Used in) Financing Activities		(113,821,582)	(232,125,496)	201,161,188
NET INCREASE (DECREASE) IN CASH		55,225,609	(4,571,618)	7,052,154
CASH AT BEGINNING OF YEAR		3,261,170	7,832,788	780,634
CASH AT END OF YEAR		P 58,486,779	P 3,261,170	P 7,832,788

Supplemental Information on Non-cash Investing and Financing Activities is disclosed in Note 22 to Financial Statements.

See Notes to Financial Statements.

CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
(A Subsidiary of Udenna Corporation)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 and 2021
(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 August 8, 2017, the shares of stock of the Company were listed at the Philippine Stock Exchange (PSE).

On April 4, 2022, the SEC approved the Company's application for increase in authorized capital stock. Relative to this, the previously recognized Deposit on Future Stock Subscription was reclassified to Capital Stock and Additional Paid-in Capital (APIC). The approval resulted in the increase in Udenna Corporation (Udenna)'s effective ownership interest in the Company from 70% in 2021 to 75% in 2022. In October 2023, CLC entered into debt to equity conversion agreements with two of its lenders as part of its liability management exercise, reducing Udenna's effective ownership interest to 72.55%.

The Company is a subsidiary of 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 of 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. Pampang, Davao City.

1.2 Subsidiaries, Associate and their Operations

As of December 31, 2023 and 2022, the Company holds ownership interests in the following subsidiaries and associate:

Company Name	Explanatory Notes	Percentage of Ownership	
		2023	2022
Subsidiaries through direct interest:			
Chelsea Shipping Corp. (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%	100%
The Supercat Fast Ferry Corporation (SFFC)	(g)	100%	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 and 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%
KGLI-NM Holdings, Inc. (KGLI-NM) ⁵	(x)	100%	100%

Company Name	Explanatory Notes	Percentage of Ownership	
		2023	2022
Associate –			
Dito Holdings Corporation (DHC)	(y)	8.59%	10.54%

¹Wholly owned subsidiary of CSC

²Wholly owned subsidiary of FTC

³Wholly owned subsidiary of Trans-Asia

⁴Wholly owned subsidiary of Starlite

⁵60.29% owned by CLC and 39.71% owned by UIBV, based on voting rights

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.
- (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 39.71% of the voting rights in KGLI-NM.

- (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. Starlite was acquired on November 9, 2017.

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. WSI was acquired on November 8, 2017.
- (f) Incorporated on September 2, 2019 and is primarily engaged in shipping agency business and maritime operation and services.

- (g) Incorporated in June 20, 2001 and is primarily engaged in domestic shipping business - transporting both passenger and cargoes, to own, operate, and charter vessels of any class or type, and to own, control, construct and operate passenger terminals.
- (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, 2023, CDC has not yet started commercial operations.
- (o) Incorporated on March 14, 2018 to primarily engage in 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.
- (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, 2023.
- (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, 2023, 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 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 initially subscribed to 41.67% ownership interest in DHC on November 4, 2019. DHC has not yet started commercial operations as of December 31, 2023.

In 2023, the SEC approved the increase in authorized capital stock of DHC, which resulted to the dilution of the Company's ownership interest in DHC from 10.54% to 8.59% upon subscription by another investor of additional P2.2 billion in DHC. Such dilution did not result in cessation of significant influence of the Company over DHC.

1.3 Status of the Company's Operations

The continued rapid economic expansion in 2023 follows a strong rebound from the COVID-19 pandemic during 2022, which drove the pace of growth of the Philippines economy. Still, extraordinary conditions in early 2022 triggered by the Russia-Ukraine war caused unstable fuel prices, coupled with high interest rates and inflation, which continue to weigh down on the business and push back the projected business recovery of the Company. During the year, the Company aimed at various schemes meant to surmount these challenges and to warrant the sustainability of operations.

The following initiatives were implemented:

- Expanding strategic partnerships;
- Reduced non-essential capital expenditure and deferred or cancelled discretionary spending;
- Development of skills and talent of personnel to fully utilize existing manpower and to motivate and improve the general well-being of the workforce;
- Divested certain investments and disposed underperforming and non-performing assets;
- Negotiated for longer payment terms with business partners, creditors and suppliers;
- Ongoing drive for innovation and digitalization to increase productivity and raise customer experience;
- Statutory compliance and risk-mitigation measures to establish sustainability; and,
- Ongoing Liability Management Exercise (LME) with bankers and other financial institutions for the refinancing or restructuring of existing debt, or deferring payment of debt service.

With the Company's businesses strongly directed on recovery and driving steady growth, thriving on the accomplishment of key strategic projects placed to further our resilience alongside external pressures and improve our long-term growth prospects.

Based on these factors, the Company projects sufficient cash flows to support its operations. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

1.4 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2023 (including the comparative financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Company's Board of Directors (BOD) on May 14, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized in the succeeding pages. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

The 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 Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company all items of income, expenses and other comprehensive income (loss) in a single statement of comprehensive income.

The Company presents a third 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 statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

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

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

- (ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.
- (iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) *Effective in 2023 that is not Relevant to the Company*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

Discussed in the succeeding page are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FRSB. The Company 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 Company's financial statements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)
- (iii) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)
- (iv) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Separate Financial Statements and Investments in Subsidiaries and Associates

These financial statements are prepared as the Company's separate financial statements.

The Company's investments in subsidiaries and associates are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.9).

2.4 Financial Instruments

(a) Financial Assets

(i) Classification and Measurements of Financial Assets

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash, Trade and Other Receivables (excluding Advances to officers and employees), Advances to Related Parties, and Refundable deposits and Restricted cash, presented as part of Other Non-current Assets account.

For purposes of cash flows reporting and presentation, cash include cash on hand and in banks. Cash in banks are unrestricted and readily available for use in the Company's operations, subject to insignificant risk of changes in value, and generally earn interest based on daily bank deposit rates.

(ii) Impairment of Financial Assets

The Company 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 costs. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Company 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 Company 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 Company 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. If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL.

For cash, the Company 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.

(b) Financial Liabilities

Interest-bearing loans and borrowings are comprised of loans raised for support of the investing activities and working capital requirements of the Company and lease liabilities.

2.5 Property and Equipment

All items of property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

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

Transportation equipment	5 years
Office furniture and equipment	3 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.

2.6 Investment Properties

Investment property consists of a parcel of land and is stated at cost.

If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under Property and Equipment account up to the date of change in use.

2.7 Revenue and Expense Recognition

Revenues from management services are recognized over time as the services are provided because the customers receive and use the benefits simultaneously. The Company's customers are billed quarterly and payment is due within 30 to 60 days from date of billing.

Costs and expenses are recognized in profit or loss upon utilization of the service 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.

2.8 Leases – Company as Lessee

The Company amortizes the right-of-use asset 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.

2.9 Impairment of Non-financial Assets

The Company's property and equipment, investments in subsidiaries and an associate, investment properties, and 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.

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 Company'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.

2.10 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, share-based compensation, and other employee benefits.

The Company'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 Company grants share options to qualified employees eligible under a stock option plan.

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the 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 Company'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 financial statements:

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

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 terminated.

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

The Company assessed that the renewal period of the lease of office space should not be included in the lease term, as there is no reasonable certainty that such renewal option will be exercised.

The lease term is reassessed if an option is actually exercised or not exercised or the Company 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 Company.

(b) Determining Timing of Satisfaction of Performance Obligations

Management determines that revenue from management services is recognized over time. In making its judgement, the Company considers the timing of receipt and consumption of benefits provided by the Company to its customers. The Company provides the management services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Company's rendering of management services as it performs.

(c) *Business Model Assessment*

The Company's classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company 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 Company'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 years presented.

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

Judgment is exercised in determining whether the Company already has significant influence or control over an entity. In assessing each interest over an entity, the Company 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 despite the dilution of effective ownership interest in DHC in 2023 (see Note 8), the Company continues to exercise significant influence arising from its representation on the board of directors and participation in policy-making processes of DHC.

(e) *Distinction Between Investment Properties and Owner-Managed Properties*

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

(f) *Going Concern Assumption*

The Company prepares financial statements on a going concern basis unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. When the management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties in the financial statements.

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management also considers a wide range of factors relating to current and expected profitability, debt repayment schedules, and potential sources of replacement. As more fully disclosed in Note 1.3, management concluded that the Company will continue as a going concern entity.

(g) *Recognition of 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.

Judgment is exercised by management to distinguish between provisions and contingencies. Relevant disclosures are presented in Note 17.

(h) *Determination whether Company is Principal or Agent*

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

- whether the Company has primary responsibility for providing the services;
- whether the Company has inventory risk;
- whether the Company has direction in establishing prices; and,
- whether the Company bears the credit risk.

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

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

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 below and in the succeeding pages.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liability

The Company measures its lease liability 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 Company'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) Estimating Allowance for ECL

The Company 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 and security deposits 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, 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) Estimating Useful Lives of Property and Equipment

The Company 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 assets.

The carrying amounts of property and equipment are analyzed in Note 6. Based on management's assessment as at December 31, 2023 and 2022, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(d) *Fair Value Measurement of Investment Properties*

The Company's investment properties is carried at cost at the end of the reporting period. The Company disclosed the related fair value of investment properties as at the end of reporting period in Note 20.4 as required by PFRS. The Company determines the fair value by reference to current prices for similar properties in the same location and condition.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.9).

(e) *Determining Realizable Amount of Deferred Tax Assets*

The Company 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. The carrying value of deferred tax assets as of December 31, 2023 and 2022 is disclosed in Note 13.

(f) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of property and equipment, investment properties, investments in subsidiaries and associate, and other non-financial assets is discussed in Note 2.9. Though management believes that the assumptions used in the estimation of recoverable values reflected in the 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.

The Company recognized impairment loss on investment in a subsidiary amounting to P489.8 million and P983.2 million in 2023 and 2022, respectively, and is presented as Impairment losses on investment in subsidiaries under Other Income (Charges) account in the statement of comprehensive income (see Note 8).

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

The determination of the Company'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 12.2.

(i) *Fair Value Measurement of Stock Options*

The Company estimates the fair value of the stock options by applying an option valuation model, taking into account the terms and conditions on which the stock options were granted. The estimates and assumptions used are presented in Note 15.2, which include, among other things, the option life, average standard deviation of share price returns and applicable risk-free investment rate. Changes in these factors can affect the fair value of stock options at grant date.

On October 28, 2022, the Company's BOD approved the change in the subscription price to P3.99 per share as stipulated in the amended Employee Stock Option Plan (the ESOP). This change was applied prospectively from the date of approval and resulted in an increase in share options expense totaling to P6.4 million in 2022 (see Note 15.2).

4. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Trade receivables	14.2, 14.3	P 1,006,427,643	P 881,534,333
Advances to officers and employees		990,977	1,052,270
Others		<u>4,653,859</u>	<u>2,591,624</u>
		<u>P 1,012,072,479</u>	<u>P 885,178,227</u>

All of the Company'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 management, all receivables were assessed to be collectible in full; hence, no provisions for expected credit losses were recognized.

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

5. OTHER ASSETS

The breakdown of this account as of December 31 are as follows:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Current:			
Creditable withholding taxes		P 213,498,564	P 216,259,483
Deferred input value added taxes (VAT)		64,072,806	51,551,950
Prepayments		6,478,067	6,176,024
Advances to suppliers		89,983	3,036,759
Input VAT		-	9,000
		<u>P 284,139,420</u>	<u>P 277,033,216</u>
Non-current:			
Deferred charges		P 56,401,122	P 59,953,521
Software, net of amortization		11,144,594	13,111,285
Refundable deposits	10.4, 18.2	4,544,077	4,544,077
Restricted cash	10.1	335,112	335,112
Others		<u>300,000</u>	<u>300,000</u>
		<u>P 72,724,905</u>	<u>P 78,243,995</u>

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

Refundable deposits arise from operating leases on certain office spaces and bidder's bond held by a local commercial bank in relation to the biddings made by the Company in various local construction projects.

Software refers to computer software licenses and software development costs, net of amortization. A reconciliation of the carrying amount of software at the beginning and end of 2023 and 2022 is shown below.

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 13,111,285	P 15,083,044
Amortization during the year	(1,966,691)	(1,971,759)
Balance at end of year	<u>P 11,144,594</u>	<u>P 13,111,285</u>

Amortization is presented as part of Depreciation and amortization under Operating Expenses account in the statements of comprehensive income.

Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Company (see Note 10.1).

6. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2023 and 2022 are shown below.

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Right-of-Use Asset	Total
December 31, 2023					
Cost	P 14,664,286	P 7,930,973	P 108,387,319	P 83,282,702	P 214,265,280
Accumulated depreciation	(14,309,643)	(7,318,626)	(47,167,621)	(73,566,387)	(142,362,277)
Net carrying amount	P 354,643	P 612,347	P 61,219,698	P 9,716,315	P 71,903,003
December 31, 2022					
Cost	P 15,788,393	P 7,243,423	P 108,387,319	P 83,282,702	P 214,701,837
Accumulated depreciation	(14,742,232)	(7,190,157)	(36,271,641)	(56,909,847)	(115,113,877)
Net carrying amount	P 1,046,161	P 53,266	P 72,115,678	P 26,372,855	P 99,587,960
January 1, 2022					
Cost	P 18,296,427	P 8,099,746	P 108,387,319	P 139,087,757	P 273,871,249
Accumulated depreciation	(13,666,918)	(6,151,385)	(25,261,167)	(77,194,680)	(122,274,150)
Net carrying amount	P 4,629,509	P 1,948,361	P 83,126,152	P 61,893,077	P 151,597,099

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below.

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Right-of-Use Asset	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 1,046,161	P 53,266	P 72,115,678	P 26,372,855	P 99,587,960
Addition		687,550	-	-	687,550
Depreciation and amortization charges during the year	(691,518)	(128,469)	(10,895,980)	(16,656,540)	(28,372,507)
Balance at December 31, 2023, net of accumulated depreciation and amortization	P 354,643	P 612,347	P 61,219,698	P 9,716,315	P 71,903,003
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 4,629,509	P 1,948,361	P 83,126,152	P 61,893,077	P 151,597,099
Lease termination	-	-	-	(18,863,680)	(18,863,680)
Disposals	(933,869)	(856,322)	-	-	(1,790,191)
Depreciation and amortization charges during the year	(2,649,479)	(1,038,773)	(11,010,474)	(16,656,542)	(31,355,268)
Balance at December 31, 2022, net of accumulated depreciation and amortization	P 1,046,161	P 53,266	P 72,115,678	P 26,372,855	P 99,587,960
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 8,288,795	P 4,191,084	P 93,907,636	P 162,998,932	P 269,386,447
Additions	-	46,875	-	-	46,875
Lease termination	-	-	-	(65,585,634)	(65,585,634)
Depreciation and amortization charges during the year	(3,659,286)	(2,289,598)	(10,781,484)	(35,520,221)	(52,250,589)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 4,629,509	P 1,948,361	P 83,126,152	P 61,893,077	P 151,597,099

As of December 31, 2022 transportation equipment with net carrying amount of P1.0 million were assigned to secure payment of the Company's mortgage loans (see Note 10.3).

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the statements of comprehensive income.

In 2023 and 2022, the Company sold certain transportation equipment with a net book value of nil and P0.9 million, respectively. Gain on sale amounting to P0.6 million and P1.1 million in 2023 and 2022, respectively, was recognized and presented as part of Other income under Other Income (Charges) account in the 2023 and 2022 statements of comprehensive income (see Note 11.2).

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Note 11.2).

As of December 31, 2023 and 2022, the Company has no fully depreciated property and equipment that are still in use.

7. INVESTMENT PROPERTY

In prior years, the Company acquired a parcel of land located at Brgy. Ligid-Tipas, Taguig City.

The movement of investment property in 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 1,270,907,962	P 1,199,699,962
Additions during the year	<u>-</u>	<u>71,208,000</u>
Balance at end of year	<u>P 1,270,907,962</u>	<u>P 1,270,907,962</u>

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 20.4.

In 2022, the Company acquired an additional lot within the same area amounting to P71.2 million. The outstanding liability arising from this transaction is presented as part of Accounts and Other Payables in the 2023 and 2022 statements of financial position (see Note 9).

The properties of the Company with a carrying amount of P1,270.9 million as of December 31, 2023 and 2022, were used as a collateral to secure payment of the Company's term loan (see Note 10.1).

8. INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The carrying values of the Company's investments in subsidiaries and an associate as of December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Subsidiaries:		
UIBV	P 6,048,000,000	P 6,048,000,000
CSC	3,000,000,000	3,000,000,000
Starlite	1,940,972,290	1,940,972,290
KGLI-NM	1,230,658,050	1,230,658,050
WSI	665,625,000	665,625,000
SFFC	650,000,000	650,000,000
Trans-Asia	616,253,686	616,253,686
TSI	<u>3,125,000</u>	<u>3,125,000</u>
	14,154,634,026	14,154,634,026
Associate –		
DHC	<u>1,041,666,665</u>	<u>1,041,666,665</u>
	15,196,300,691	15,196,300,691
Allowance for impairment	(<u>1,473,034,877</u>)	(<u>983,204,565</u>)
	<u>P 13,723,265,814</u>	<u>P 14,213,096,126</u>

On November 24, 2016, the Company acquired all of the outstanding shares of 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. As of December 31, 2023 and 2022, the outstanding liability to PPPI arising from this transaction amounted to P500.0 million, which is presented as part of Non-trade payables under the Accounts and Other Payables account in the statements of financial position (see Note 9).

On March 27, 2017, the Company acquired all of the outstanding shares of UIBV from Udenna through a share-for-share swap, where the Company issued new common shares in favor of Udenna in exchange for shares of UIBV (see Note 15.1).

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, 2023 and 2022 and is presented as Subscription payables under Accounts and Other Payables in the statements of financial position (see Note 9). In 2023, another investor subscribed to the additional common shares in DHC, causing the dilution of the Group's effective ownership from 10.54% in 2022 to 8.59%. Management assessed that the Group still exercises significant influence over DHC; hence, is still recognized as an investment in associate.

On October 1, 2021, the Company acquired the Preferred B shares and common shares of KGLI-NM from its previous owner for a total consideration of P874.9 million. The acquisition resulted to increase in the effective voting rights of the Company from 90.07% in 2020 to 100.0% in 2021. The acquisition resulted to gain on redemption of P355.5 million and is presented as Gain on redemption of preferred shares under Other Income (Charges) account in the 2021 statement of comprehensive income.

On November 8, 2021, the Company subscribed to additional 100.0 million shares of Starlite, and these were paid by the Company by way of conversion of Advances from the subsidiary (see Note 14.1).

In 2023 and 2022, the Company assessed that the recoverable amount of its investment in CSC was lower than its carrying value; hence, an impairment loss amounting to P489.8 million and P983.2 million, respectively, was recognized and is presented as Impairment loss on investment in a subsidiary under Other Income (Charges) account in the 2023 and 2022 statements of comprehensive income. There was no similar transaction in 2021.

9. ACCOUNTS AND OTHER PAYABLES

This account is composed of the following as of:

	Notes	2023	2022
Subscription payables	8	P 781,249,999	P 781,249,999
Accounts payables	7	792,135,301	720,259,065
Non-trade payables	8, 14.4	500,000,000	500,000,000
Accrued expenses	10	231,922,082	248,372,727
Deferred output VAT		123,944,736	111,215,447
Output VAT payable		32,427,030	11,026,070
Others		47,641,084	80,950,889
		<u>P 2,506,729,808</u>	<u>P 2,453,074,197</u>

Accrued expenses consist of unpaid interest on the Company's outstanding bank loans (see Note 10) and unpaid professional fees for services rendered to the Company.

10. INTEREST-BEARING LOANS AND BORROWINGS

The short-term and long-term interest-bearing loans and borrowings are broken down as follows:

	Note	2023	2022
Current:			
Bank loans	10.2	P 161,392,861	P 862,988,839
Term loans	10.1	172,343,262	248,112,328
Lease liability	10.4	8,956,841	17,220,905
Mortgage loans	10.3	-	100,290
		<u>342,692,964</u>	<u>1,128,422,362</u>
Non-current:			
Term loans	10.1	1,190,575,817	682,371,925
Bank loans	10.2	56,752,754	113,762,510
Lease liability	10.4	-	8,956,841
		<u>1,247,328,571</u>	<u>805,091,276</u>
		<u>P 1,590,021,535</u>	<u>P 1,933,513,638</u>

In 2023 and 2022, the Company has negotiated with the banks for the refinancing, extension, or temporary relief of its loan obligations as part of the Company's LME (see Note 1.3). Relative to this, the Company was able to agree with banks restructuring or modification of terms of certain loans. For those that qualify as significant loan modification, the Company recognized a gain on debt modification amounting to P36.3 million and P3.7 million in 2023 and 2022, respectively, which is presented under Other Income (Charges) in the 2023 and 2022 statements of comprehensive income. There was no similar transaction in 2021.

A reconciliation of the carrying amounts of interest-bearing loans and borrowings at the beginning and end of December 31, 2023, 2022 and 2021 is presented below.

	Term loans	Bank loans	Mortgage loans	Lease Liability	Total
Balance as of January 1, 2023	P 930,484,253	P 976,751,349	P 100,290	P 26,177,746	P 1,933,513,638
Cash flow from a financing activity – Repayments	(107,287,341)	(25,232,734)	(100,290)	(17,220,905)	(149,841,270)
Non-cash financing activities:					
Reclassification	500,000,000	(500,000,000)	-	-	-
Capitalized interest	76,851,371	-	-	-	76,851,371
Debt to equity conversion	-	(233,373,000)	-	-	(233,373,000)
Gain on debt modification	(36,290,354)	-	-	-	(36,290,354)
Restatement of foreign currency denominated loans	(838,850)	-	-	-	(838,850)
	<u>539,722,167</u>	<u>(733,373,000)</u>	<u>-</u>	<u>-</u>	<u>(193,650,833)</u>
Balance at December 31, 2023	P 1,362,919,079	P 218,145,615	P -	P 8,956,841	P 1,590,021,535
Balance as of January 1, 2022	P 970,699,252	P 1,023,734,262	P 1,024,718	P 64,913,567	P 2,060,371,799
Cash flow from a financing activity – Repayments	(53,312,699)	(43,305,298)	(924,428)	(17,347,050)	(114,889,475)
Non-cash financing activities:					
Termination of lease	-	-	-	(21,388,771)	(21,388,771)
Gain on debt modification	-	(3,677,615)	-	-	(3,677,615)
Restatement of foreign currency denominated loans	13,097,700	-	-	-	13,097,700
	<u>13,097,700</u>	<u>(3,677,615)</u>	<u>-</u>	<u>(21,388,771)</u>	<u>(11,968,686)</u>
Balance at December 31, 2022	P 930,484,253	P 976,751,349	P 100,290	P 26,177,746	P 1,933,513,638
Balance as of January 1, 2021	P 791,951,609	P 1,002,344,900	P 2,592,954	P 163,474,323	P 1,960,363,786
Cash flows from financing activities:					
Additions	167,650,000	44,000,000	-	-	211,650,000
Repayments	-	(22,610,638)	(1,568,236)	(34,159,552)	(58,338,426)
	<u>167,650,000</u>	<u>21,389,362</u>	<u>(1,568,236)</u>	<u>(34,159,552)</u>	<u>153,311,574</u>
Non-cash financing activities:					
Termination of lease	-	-	-	(64,401,204)	(64,401,204)
Amortization of debt issuance costs	1,038,643	-	-	-	1,038,643
Restatement of foreign currency denominated loans	10,059,000	-	-	-	10,059,000
	<u>11,097,643</u>	<u>-</u>	<u>-</u>	<u>(64,401,204)</u>	<u>(53,303,561)</u>
Balance at December 31, 2021	P 970,699,252	P 1,023,734,262	P 1,024,718	P 64,913,567	P 2,060,371,799

Interest incurred on these loans is presented as part of Finance Costs under the Other Income (Charges) account in the statements of comprehensive income (see Note 11.1). The related unpaid interest as of December 31, 2023 and 2022 is presented as part of Accrued expenses under the Accounts and Other Payables account in the statements of financial position (see Note 9).

10.1 Term Loans

On August 27, 2019, the Company entered into a loan agreement with China Banking Corporation 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. 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, 2023 and 2022, the Company has total drawdown amounting to P800.0 million from the term loan facility.

The agreement requires the Company to maintain debt-to-equity ratio of not more than 3.00:1.00 and debt-service coverage ratio (DCSR) of not less than 1:25.

The investment properties of the Company with a carrying amount of P1,270.9 million as of December 31, 2023 and 2022, was used as a collateral to secure payment of this loan (see Note 7). The loan agreement also requires the Company to maintain a reserve accounts for debt service requirements; such amounts are presented as part of Restricted cash under Other Non-current Assets account in the statements of financial position (see Note 5).

The Company have complied with the financial, affirmative and negative covenants for the past years, except that, in 2023 and 2022, the Company had lower than the stated DSCR. Prior to December 31, 2023, the Company already requested for the waiver of the financial covenant and management is confident that such will be approved based on preliminary discussions with the lender bank. The Company has not received any written notice, as of the date of the issuance of the financial statements, that the loans are due and demandable, which is provided for in the loan documents as a basis to reclassify the loan to current. The Company also continued to negotiate with banks to refinance or restructure its existing loan.

On May 2021, the Company entered into a loan facility with Philippine Business Bank amounting to \$3.5 million to finance the Company's equity due on MV Trans-Asia 21. The loan is subject to annual interest rate of 10.0% and is payable on a quarterly basis up to the end of third year. On August 12, 2022, PBB and the Company has amended its MOA in which the principal repayment will be on a staggered basis commencing at the date of amendment until 2023 with annual interest rate of 11.0%. The loan does not include any financial covenant.

The loan is secured by a deed of pledge of shares of stocks by Udenna and the Company with a net book value of P190.9 million as of December 31, 2023 and 2022, respectively (see Note 14.7).

On March 31, 2023, the Company entered into a loan agreement with AIB to restructure the Company's outstanding bank loan and unpaid interest amounting to P500.0 million and P60.4 million, respectively. The restructured loan bears lower annual interest rate applicable for year 1, collected quarterly in arrears, to be recaptured at a target rate in year 9, with annual repricing based on BVAL plus a fixed interest rate ending on the 3rd year. The principal is payable on installment based on the outstanding principal amount from the amended date in sculpted repayments until the maturity of the loan. The loan does not include any financial covenant.

10.2 Bank Loans

The Company obtained various unsecured bank loans with local banks and private institutional and individual lenders primarily for working capital requirements. The loans bear annual interest rates ranging from 4.75% to 10.00% and are payable within 30 to 180 days. These loans do not include any financial covenants.

On October 2023, the Company entered into Subscription and Debt Conversion Agreements with certain private institutional lenders. As a result, the outstanding loan amounting to P233.4 million has been derecognized and converted through the issuance of 77,791,000 shares of the Company (see Note 15).

10.3 Mortgage Loans

Mortgage loans pertain to loans obtained by the Company to finance the acquisition of certain transportation equipment and bears effective interest rate of 8.50% in 2022. The Company's mortgage loans are payable up to 2022 and are secured by certain transportation equipment with a carrying amount of P1.0 million as of December 31, 2022 (see Note 6). These loans do not include any financial covenants. There were no outstanding balance as of December 31, 2023.

10.4 Lease Liability

The Company has leases for certain office space. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets as part of Property and Equipment in the statements of financial position (see Note 6).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office space, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The Company's lease for certain office space has a term of five years and two years, and includes annual escalation rates of 5.0% and 7.0%, respectively. Such leases have renewal options which are subject to the mutual agreement of both the lessor and the lessee to be enforceable. Accordingly, the extension options was not considered reasonably certain to be exercised.

The Company 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 liability is secured by the related underlying asset. The maturity analysis of lease liability as of December 31, 2023 and 2022 is shown in the succeeding page.

		Within 1 year	1 to less than 2 years	2 to less than 3 years	Total
<u>December 31, 2023</u>					
Lease payments	P	9,543,510	P -	P -	P 9,543,510
Finance charges	(	586,669)	-	-	(586,669)
Net present value	P	8,956,841	P -	P -	P 8,956,841
<u>December 31, 2022</u>					
Lease payments	P	18,935,536	P 9,543,510	p -	P 28,479,046
Finance charges	(	1,714,631)	(586,669)	-	(2,301,300)
Net present value	P	17,220,905	P 8,956,841	P -	P 26,177,746

As of December 31, 2023 and 2022, the Company had not committed to any leases, which had not commenced.

The Company has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expenses relating to short-term leases amounted to P2.1 million, P0.6 million and P0.2 million in 2023, 2022 and 2021, respectively, and is presented as Rental under Operating Expenses account in the statements of comprehensive income. As of December 31, 2023 and 2022, the Company has no remaining commitments on short-term leases.

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, (nil in 2023) and is presented as part of Other Income in the 2022 and 2021 statements of comprehensive income (see Note 11.2).

Interest expense in relation to lease liabilities amounting to P1.7 million, P2.9 million and P6.3 million, in 2023, 2022 and 2021, respectively, is presented as part of Finance costs under Other Income (Charges) account in the statements of comprehensive income (see Note 11.1).

Refundable deposits relating to these lease of office spaces amounting to P4.5 million as of December 31, 2023 and 2022, respectively, and are recorded under Other Non-current Assets account in the statements of financial position (see Note 5).

11. OTHER INCOME (CHARGES)

The details of this account for each of the years ended December 31 are shown below.

11.1 Finance Cost

	Notes	2023	2022	2021
Interest expense on:				
Interest-bearing loans	10	P 144,300,516	P 145,892,784	P 147,124,326
Post-employment benefits	12.2	2,193,075	1,510,922	1,196,591
Lease liabilities	10.4	1,714,631	2,850,855	6,262,548
Non-trade payables	14.5	-	3,337,448	-
		<u>148,208,222</u>	<u>153,592,009</u>	<u>154,583,465</u>
Bank charges		177,116	76,942	87,658
Foreign currency exchange losses – net		-	17,906,373	15,149,169
		<u>P 148,385,338</u>	<u>P 171,575,324</u>	<u>P 169,820,292</u>

11.2 Other Income

	Notes	2023	2022	2021
Gain on sale of property and equipment	6	P 601,881	P 1,059,131	P -
Gain on pretermination of lease	6, 10.4, 14.6	-	2,525,090	4,541,721
Miscellaneous		<u>1,569,284</u>	<u>964,178</u>	<u>(23,836)</u>
		<u>P 2,171,165</u>	<u>P 4,548,399</u>	<u>P 4,517,885</u>

Miscellaneous income pertains to the collection from subsidiaries for the shared services billed to the Company for the subscriptions of software systems and other online subscriptions.

12. SALARIES AND EMPLOYEE BENEFITS

12.1 Salaries and Employee Benefits

The details of salaries and employee benefits for the years ended December 31, 2023, 2022 and 2021 are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		P 86,698,555	P 70,788,225	P 80,545,722
Share-based compensation	15.2	3,435,711	6,410,342	1,371,745
Post-employment benefits	12.2	<u>7,357,083</u>	<u>3,069,980</u>	<u>2,947,291</u>
		<u>P 97,491,349</u>	<u>P 80,268,547</u>	<u>P 84,864,758</u>

12.2 Post-employment Defined Benefit

(a) Characteristics of Post-employment Defined Benefit Plan

As of December 31, 2023 and 2022, the Company has not yet established a post-employment benefit fund. The Company, however, accrues post-employment benefits based on its Retirement Plan Policy which covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years credited service. Normal retirement benefit is an amount equivalent to 22.5 days' pay for every year of credited service.

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made regularly to update the post-employment benefit expense and the amount of contributions.

(i) *Post-employment Benefit Obligation*

The movements in the present value of post-employment defined benefit obligation recognized as of December 31, 2023 and 2022 books are presented below:

		<u>2023</u>		<u>2022</u>
Balance at beginning of year	P	28,394,316	P	30,218,439
Past service cost		4,322,678		-
Current service cost		3,034,405		3,069,980
Interest cost		2,193,075		1,510,922
Actuarial loss (gain) due to changes in:				
Financial assumptions		3,299,078	(	5,339,705)
Experience assumptions		1,302,826		397,548
Demographic assumptions		-	(	1,462,868)
Balance at end of year	P	<u>42,546,378</u>	P	<u>28,394,316</u>

(ii) *Post-employment Benefit Expense*

The amounts of post-employment benefit expense recognized in the statement of comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes		<u>2023</u>		<u>2022</u>		<u>2021</u>
<i>Recognized in profit or loss:</i>							
Current service cost	12.1	P	3,034,405	P	3,069,980	P	2,947,291
Past service cost	12.1		4,322,678		-		-
Interest expense	11.1		2,193,075		1,510,922		1,196,591
		P	<u>9,550,158</u>	P	<u>4,580,902</u>	P	<u>4,143,882</u>
<i>Recognized in other comprehensive loss (gain) –</i>							
Actuarial loss (gain) due to changes in							
Financial assumptions		P	3,299,078	(P	5,339,705)	(P	2,653,521)
Experience assumptions			1,302,826		397,548	(	1,565,354)
Demographic assumptions			-	(	1,462,868)		-
		P	<u>4,601,904</u>	(P	<u>6,405,025</u>)	(P	<u>4,218,875</u>)

In determining the retirement benefit obligation as at December 31, 2023 and 2022, the following actuarial assumptions were used:

	<u>2023</u>	<u>2022</u>
Discount rates	6.06%	7.16%
Expected rate of salary increase	5.00%	5.00%

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 males and 25 for 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 Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) 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.

(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 Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(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 the following dates:

	<u>Impact on Post-employment Benefit Obligation</u>					
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>		<u>Decrease in Assumption</u>	
<u>December 31, 2023</u>						
Discount rate	+/-1.0%	(P	3,021,040)	P	3,402,732	
Salary growth rate	+/-1.0%		3,536,052	(	3,188,364)	
<u>December 31, 2022</u>						
Discount rate	+/-1.0%	(P	2,038,671)	P	2,297,442	
Salary growth rate	+/-1.0%		2,434,751	(	2,195,780)	

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 sensitivity analysis in previous page, 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 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) *Funding Arrangements and Expected Contributions*

As of December 31, 2023 and 2022, the plan is underfunded by P42.5 million and P28.4 million, respectively, 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 25 years' time when a significant number of employees is expected to retire. The Company does not expect to set-up a retirement fund plan to make any contribution to a plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan from as follows:

	<u>2023</u>	<u>2022</u>
Within one to five years	P 17,883,686	P 13,776,753
More than five years but not more than ten years	66,672,549	3,139,431
More than ten years but not more than 15 years	6,328,294	58,014,106
More than 15 years	<u>55,730,357</u>	<u>37,265,579</u>
	<u>P 146,614,886</u>	<u>P 112,195,869</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is five years.

13. TAXES

13.1 Current and Deferred Taxes

The components of tax income (expense) as reported in the statements of comprehensive income are shown below.

	2023	2022	2021
<i>Reported in profit or loss:</i>			
Current tax:			
Minimum corporate income tax (MCIT) at 1.5% in 2023 and 1% in 2022 and 2021	(P 4,768,407)	(P 3,124,032)	(P 1,162,722)
Final taxes at 20%	(5,476)	(3,220)	(1,871)
Effect of the change in income tax rates	-	-	P 44,504
	(4,773,883)	(3,127,252)	(1,120,089)
Deferred tax income relating to:			
Origination of temporary differences	111,897,982	254,741,416	4,714,727
Effect of the change in income tax rates	-	-	(2,024,563)
	111,897,982	254,741,416	2,690,164
	<u>P 107,124,099</u>	<u>P 251,614,164</u>	<u>P 1,570,075</u>
<i>Reported in other comprehensive income:</i>			
Deferred tax income (expense) relating to:			
Origination of temporary differences	P 1,150,476	(P 1,601,256)	(P 1,054,718)
Effect of the change in income tax rates	-	-	(311,508)
	<u>P 1,150,476</u>	<u>(P 1,601,256)</u>	<u>(P 1,366,226)</u>

The reconciliation of tax on pretax profit (loss) computed at the applicable statutory rate to tax income (expense) reported in the profit and loss section of the statements of comprehensive income is as follows:

	2023	2022	2021
Tax on pretax profit (loss) at 25% in 2023 and 2022 and 30% in 2021	P 107,593,463	P 247,212,545	(P 21,792,701)
Adjustments for income subjected to lower tax rates	(2,179)	(1,984)	996
Effect of the change in income tax rates	-	-	(1,980,059)
Tax effects of:			
Unrecognized net operating loss carry-over (NOLCO)	15,971,134	7,373,665	(61,006,607)
Unrecognized MCIT	(4,768,407)	-	-
Non-deductible expenses	(7,311,676)	(2,970,062)	(2,524,381)
Derecognition of DTA	(4,358,236)	-	88,872,827
Tax income	<u>P 107,124,099</u>	<u>P 251,614,164</u>	<u>P 1,570,075</u>

The net deferred tax assets as of December 31, 2023 and 2022 pertain to the following:

	Financial Position		Profit or Loss			Other Comprehensive Income (Loss)		
	2023	2022	2023	2022	2021	2023	2022	2021
Impairment losses on investment	P 368,258,719	245,801,141	P 122,457,578	P 245,801,141	P -	P -	P -	P -
Retirement benefit obligation	10,636,597	7,098,581	2,387,540	1,145,226	(167,193)	1,150,476	(1,601,256)	(P 1,366,226)
Gain on debt restructuring	(9,991,993)	(919,404)	(9,072,589)	(919,404)	-	-	-	-
Unrealized foreign currency exchange losses	7,525,948	7,760,096	(234,148)	4,791,735	2,968,361	-	-	-
Share based compensation	4,010,999	3,152,071	858,928	1,602,586	101,626	-	-	-
Leases	937,673	1,078,764	(141,091)	(803,900)	(1,330,848)	-	-	-
MCIT	-	4,358,236	(4,358,236)	3,062,005	1,118,218	-	-	-
Deferred tax assets - net	<u>P 381,377,943</u>	<u>P 268,329,485</u>	<u>P 111,897,982</u>	<u>P 254,679,389</u>	<u>P 2,690,164</u>	<u>P 1,150,476</u>	<u>(P 1,601,256)</u>	<u>(P 1,366,226)</u>
Deferred tax income (expense)								

The details of the Company's NOLCO are shown below.

<u>Year Incurred</u>	<u>Original Amount</u>	<u>Applied in Current Year</u>	<u>Applied in Prior Year</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2021	P 244,026,427	P -	P -	P 244,026,427	2026
2020	<u>205,653,114</u>	(<u>63,884,535</u>)	(<u>29,494,659</u>)	<u>112,273,920</u>	2025
	<u>P 449,679,541</u>	(<u>P 63,884,535</u>)	(<u>P 29,494,659</u>)	<u>P 356,300,347</u>	

The unrecognized deferred tax assets from NOLCO as of December 31, 2023 and 2022 amounted to P23.4 million and P7.4 million, respectively.

The details of the Company's MCIT are shown below.

<u>Year Incurred</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2023	P 4,768,407	2026
2022	3,062,005	2025
2021	<u>1,162,722</u>	2024
	<u>P 8,993,134</u>	

The Company's remaining NOLCO can be claimed as deduction against its future taxable income for the next five consecutive years, or until 2026 and 2025, respectively, pursuant to Section 4 (bbbb) of RA No. 11494 and as implemented through Revenue Regulations (RR) No. 25-2020.

The Company is subject to the MCIT, which is computed at 1.5% and 1% of gross income, in 2023 and 2022, respectively, as defined under the tax regulations or RCIT, whichever is higher.

In 2023, 2022 and 2021, the Company opted to claim itemized deductions in computing for its income tax due.

14. RELATED PARTY TRANSACTIONS

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

Transactions amounting to more 10% or more of the total assets 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. This is based on the requirements of SEC Memorandum Circular No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Corporations*.

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 within a 12-month period that breaches the materiality threshold of P10% or more of the total assets, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

A summary of the Company's transactions with its related parties for the years ended December 31, 2023, 2022 and 2021, and the related outstanding balances as of December 31, 2023 and 2022 is presented below.

			Amounts of Transactions			Outstanding Balances		
	Notes		2023	2022	2021	2023	2022	
Parent Company –								
Cash advances granted	14.1	P	4,851,119	(P 218,229,166)	P 6,428,989,657	P 7,116,076,955	P 7,111,225,836	
Subsidiaries:								
Cash advances granted	14.1	(	33,079,798	(76,144,864)	(348,239,968)	1,173,610,059	1,206,689,857
Cash advances obtained	14.1	(	372,411,614	(84,385,485)	7,535,526,088	(8,626,645,021)	(8,999,056,635)
Management fees	14.2		399,893,791	373,544,871	253,921,310	992,543,643	863,370,333	
Interest income	14.3		37,200,000	37,200,000	-	13,884,000	18,164,000	
Related parties under common ownership:								
Cash advances obtained	14.1	-	-	32,098,051	(798,052)	(504,000,000)	(504,000,000)	
Acquisition of CSC's shares	8, 9, 14.4	-	-	-	-	(500,000,000)	(500,000,000)	
Right-of-use assets	6, 14.5		16,656,541	16,656,540	82,242,174	9,716,315	26,372,856	
Lease liabilities	10.4, 14.5	(	17,220,905	(17,347,050)	(79,779,198)	(8,956,841)	(26,177,746)
Associate:								
Acquisition of SFFC's shares	14.4	-	-	(528,132,766)	-	-	-	
Sale of Dito		-	-	-	-	271,874,967	271,874,967	
Stockholder –								
Cash advances granted	14.1	-	-	86,000,000	8,805,000	227,209,551	227,209,551	

The Company's outstanding receivables with related parties were subjected to impairment testing using PFRS 9's ECL model. No impairment loss was recognized in 2023 and 2022 (see Note 18.2).

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.

14.1 Advances to and from Related Parties

In the normal course of business, the Company 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, 2023 and 2022, the outstanding receivable and payable balances to and from these advances are shown as Advances to Related Parties and Advances from Related Parties, respectively, in the 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 2023 and 2022 follows:

					Related Parties under Common Ownership		Associate	Stockholders	Total
	Parent Company		Subsidiaries						
December 31, 2023									
Balance at beginning of year	P	7,111,225,836	P	1,206,689,857	P	-	P	271,874,967	P 8,817,000,212
Collections		-	(	47,128,798)		-		-	(47,128,798)
Advances granted		<u>4,851,119</u>		<u>14,049,000</u>		-		-	<u>18,900,119</u>
Balance at end of year	P	<u>7,116,076,955</u>	P	<u>1,173,610,059</u>	P	-	P	<u>271,874,967</u>	P <u>8,788,771,532</u>
December 31, 2022									
Balance at beginning of year	P	7,329,455,002	P	1,282,834,722	P	6,500,000	P	141,209,551	P 9,031,874,243
Collections	(	218,229,166)	(	83,665,159)	(	6,500,000)		-	(308,394,325)
Advances granted		<u>-</u>		<u>7,520,294</u>		-		<u>86,000,000</u>	<u>93,520,294</u>
Balance at end of year	P	7,111,225,836	P	1,206,689,857	P	-	P	271,874,967	P 8,817,000,212

In 2021, KGLI-NM sold its investment in 2GO to third parties for a total consideration of P7,460.4 million. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the parent company and is presented as part of Advances to Related Parties in the 2023 and 2022 statements of financial position. Further, P35.2 million of the total consideration was used to offset against the Company's payables with 2GO in 2021. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner.

In 2021, the Company reclassified advances to related parties amounting to P263.2 million to form part of the Company's additional investment in Starlite (see Note 8).

Based on management's assessment, no expected credit loss is recognized in 2023 and 2022 related to the advances granted to related parties (see Note 18.2).

The movement in the Advances from Related Parties account in 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	P 9,503,056,635	P 9,619,540,171
Repayments	(<u>372,411,614</u>)	(<u>116,483,536</u>)
Balance at end of year	<u>P 9,130,645,021</u>	<u>P 9,503,056,635</u>

14.2 Management Fees

The Company entered into management agreements with its subsidiaries wherein the Company shall provide general management services such as, but not limited to, accounting and treasury, internal audit functions, management information, human resources planning, consultancy and delivery, quality management, coordination and acquisition of corporate insurance needs, maintenance of corporate records and assistance in coordinating legal processes, controllership activities and preparation of annual business plans and reports. In consideration for such services, the Company charges a fee equivalent to a certain percentage of the related parties' revenues. Fees arising from these transactions are presented as Management fees under the Revenues account in the statements of comprehensive income.

The related outstanding receivables from related parties are unsecured, noninterest-bearing and is included as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 4). Further, no expected credit loss was recognized on the outstanding receivables from related parties in 2023 and 2022 based on management's assessment (see Note 18.2).

14.3 Interest Income

In 2023 and 2022, the Company recharged to a certain subsidiary the total interest expense incurred in relation to a certain loan. Interest income recognized amounted to P37.2 million is presented as part of Finance Income under Other Income (Charges) account in the 2023 and 2022 statements of comprehensive income. The related outstanding receivables from related parties are unsecured and is presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 4). Further, no expected credit loss was recognized on the outstanding receivables in 2023 based on management's assessment (see Note 18.2).

14.4 Acquisition of CSC and SFFC's 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 and is presented as part of Investments in Subsidiaries and Associates account in statements of financial position (see Note 8). As of December 31, 2023 and 2022, the outstanding liability from this transaction amounting to P500.0 million is presented as part of Non-trade payables under the Trade and Other Payables account in the statements of financial position (see Note 9).

14.5 Leases

Under PFRS 16, the Company recognized right-of use asset and lease liability related to lease of a certain office space from a related party under common ownership (see Notes 6 and 10.4). The total amortization on the right-of-use asset is presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of comprehensive income. Interest expense arising from the lease liabilities is recognized as part of Finance costs under Other Income (Charges) account in the statements of comprehensive income (see Notes 10.4 and 11.1).

The Company has pre-terminated certain lease contracts in 2022 and 2021, which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, respectively and derecognition of lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Notes 6, 10.4 and 11.2).

14.6 Key Management Personnel Compensation

The Company'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 statements of comprehensive income.

14.7 Other

Certain interest-bearing loans of the Company were secured by deed of pledge of shares of stocks by Udenna and the Company with a net book value of P190.9 million as of December 31, 2023 and 2022, respectively (see Note 10.1).

15. EQUITY

15.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2023	2022	2021	2023	2022	2021
Preferred shares - P1 par value						
Authorized	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>P 10,000,000</u>	<u>P 10,000,000</u>	<u>P 10,000,000</u>
Issued and outstanding	<u>500,000</u>	<u>500,000</u>	<u>-</u>	<u>P 500,000</u>	<u>P 500,000</u>	<u>P -</u>
Common shares - P1 par value						
Authorized	<u>3,490,000,000</u>	<u>3,490,000,000</u>	<u>1,990,000,000</u>	<u>P 3,490,000,000</u>	<u>P 3,490,000,000</u>	<u>P 1,990,000,000</u>
Issued						
Balance at beginning of year	<u>1,821,977,615</u>	<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>	<u>P 1,821,977,615</u>
Issuance during the year	<u>77,791,000</u>	<u>-</u>	<u>-</u>	<u>77,791,000</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>1,899,768,615</u>	<u>1,821,977,615</u>	<u>1,821,977,615</u>	<u>P 1,899,768,615</u>	<u>P 1,821,977,615</u>	<u>P 1,821,977,615</u>
Subscription receivable:						
Balance at beginning of year	<u>93,750,000</u>	<u>-</u>	<u>-</u>	<u>P 281,250,000</u>	<u>P -</u>	<u>P -</u>
Subscribed during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375,000,000</u>	<u>-</u>
Paid during the year	<u>150,000,000</u>	<u>93,750,000</u>	<u>-</u>	<u>(150,000,000)</u>	<u>(93,750,000)</u>	<u>-</u>
Balance at end of year	<u>243,750,000</u>	<u>93,750,000</u>	<u>-</u>	<u>P 131,250,000</u>	<u>P 281,250,000</u>	<u>P -</u>
Total issued, subscribed and outstanding shares	<u>2,144,018,615</u>	<u>1,916,227,615</u>	<u>1,821,977,615</u>	<u>P 2,144,018,615</u>	<u>P 1,916,227,615</u>	<u>P 1,821,977,615</u>

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 8). In addition, the Company 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 Company recognized the APIC amounting to P4,725,754,772, net of issuance costs amounting to P565,265,468. As at December 31, 2023 and 2022, the Company's listed shares closed at P1.49 and P1.66 per share, respectively.

On October 6, 2020, the Shareholders ratified the BOD's approval of the issuance of 500,000 Preferred Shares via private placement to Global Kingdom Investments Limited at the subscription price of P1,000 per share, subject to certain terms and conditions. The par value of the Preferred Shares is P1.0 per share. Actual issuance of the shares has not yet been executed as of December 31, 2021.

On the same date, the Shareholders also ratified the BOD's approval of the increase in the authorized capital stock of the Company to P3,500,000,000. The increase of 1,500,000,000 shares, consists of all common shares. Udenna Corporation subscribed to 375,000,000 common shares, which is 25% of the increase in common shares, at the price of P3.26 per share with reference to the 90-day volume weighted average price. The par value of the common shares is P1.0 per share.

Receipt of capital infusion from Global Kingdom Investments Limited amounting to P414.8 million and from Udenna amounting to P305.6 million, totaling to P720.4 million was presented as Deposits on Future Stock Subscriptions under Equity section as of December 31, 2021 and was reclassified as part of Capital Stock and APIC in 2022 upon approval of the increase in the authorized capital stock by the SEC on April 4, 2022.

In 2022, Global Kingdom has fully paid its subscriptions to preferred shares and the Company subsequently issued the preferred shares. The preferred shares are non-voting, redeemable at the option of the issuer at subscription price and earn cumulative cash dividend at a rate of 8% per annum payable upon BOD's declaration and approval.

On October 2023, the Company entered into Subscription and Debt Conversion Agreements with certain private institutional lenders in which the Company offered to pay its outstanding loan amounting to P233.4 million through issuance of 77,791,000 shares of the Company (see Note 10). APIC was recognized amounting to P155.6 million and is presented under Equity section as of December 31, 2023.

In 2023, the Company collected from Udenna a partial payment of the subscription receivable amounting to P489.0 million which was presented as part of subscribed shares and APIC as of December 31, 2023.

15.2 Employee Stock Option Plan

On February 13, 2019, the BOD of the Company approved an 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 IOD. The Company shall receive cash for the stock options.

As of December 31, 2023 and 2022, 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 been exercised as at December 31, 2023 and 2022.

The fair value of the option granted was estimated using binomial option pricing model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below.

Grant date	:	May 15, 2019
Vesting period ends	:	May 15, 2024
Option life	:	Five years
Share price at grant date	:	P6.05
Exercise price at grant date	:	P6.28
Amended exercise price	:	P3.99
Average fair value at grant date	:	P3.16
Average standard deviation of share price returns	:	51.28%
Average risk-free investment rates	:	6.14%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

In 2022, the Company amended the subscription price of the stock options to P3.99 per share from P6.28 per share and the exercise periods to the first five trading days of September of every year. This change was taken prospectively from date of approval.

A total of P3.4 million, P6.4 million and P1.4 million is recognized in 2023, 2022, and 2021, respectively, and is included as part of Salaries and employee benefits under Operating Expenses account in the statements of comprehensive income (see Note 12.1) and credited to Share Options Outstanding in the Equity section of the statements of financial position. In 2023, 2022 and 2021, outstanding share options amounting to P16.0 million, P12.6 million and P6.2 million, respectively, is presented as Share Options Outstanding in the statements of financial position.

16. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings for profit (loss) attributable to the Company's stockholders are computed as follows:

	2023	2022	2021
Net profit (loss)	(P 323,249,754)	(P 737,236,014)	P 88,740,881
Divided by weighted average shares outstanding	1,948,175,365	1,892,665,115	1,821,977,615
Earnings (loss) per share – basic and diluted	(P 0.166)	(P 0.390)	P 0.049

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, 2023 and 2022. There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2023 and 2022; hence, diluted earnings per share is equal to the basic earnings per share.

17. COMMITMENTS AND CONTINGENCIES

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which have not been reflected in the Company's financial statements. Management is of the opinion that losses, if any, from other commitments and contingencies will not have material effects on the Company's financial statements.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to its financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 19.1. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated with its parent Company, in close cooperation with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets.

The Company 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 Company is exposed to are described below and in the succeeding pages.

18.1 Market Risks

The Company 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

The Company has limited exposure to foreign currency risks as most of its transactions are denominated in Philippine pesos, its functional currency.

(b) Interest Rate Sensitivity

As of December 31, 2023 and 2022, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates. However, management believes that the related interest rate risk exposure is not significant to the financial statements. All other financial assets and financial liabilities are either noninterest-bearing or subject to fixed interest rates.

18.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example, by granting advances and rendering services to related parties and by placing deposits with banks.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position as summarized below.

	Notes	2023	2022
Cash		P 58,486,779	P 3,261,170
Trade and other receivables (excluding advances to officers and employees)	4	1,011,081,502	884,125,957
Advances to related parties	14.1	8,788,771,532	8,817,000,212
Refundable deposits	5	4,544,077	4,544,077
Restricted cash	5	335,112	335,112
		<u>P 9,863,219,002</u>	<u>P 9,709,266,528</u>

None of the financial assets are secured by collateral or other credit enhancements, except for cash, 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 in banks 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 Company 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, 2023 and 2022, 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.

No impairment was recognized in relation to the Company's trade and other receivables as the historical loss rates from existing customers are low and deemed insignificant. The Company also considers to the existence of financial liabilities, which may be offset against the outstanding trade receivables with the same counterparty.

The credit risk for refundable deposits is also considered negligible as the Company has ongoing lease agreements with the counterparty and the latter is considered to be with sound financial condition and sufficient liquidity.

Furthermore, the Company's advances to related parties are repayable on demand and the contractual period is the very 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, 2023 and 2022 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.

18.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for 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 Company maintains cash to meet its liquidity requirements for up to 60-day periods. Funding for 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, 2023, the Company's financial liabilities, excluding lease liabilities (see Note 10.4), have contractual maturities which are presented in the succeeding page.

	Notes	Current			Non-current	
		Due and Demandable	Within Six Months	Within Six to Twelve Months	One to Five Years	More Than Five Years
Interest-bearing loans and borrowings	10	P -	P 433,181,571	P 190,939,699	P 1,180,086,692	P 560,529,626
Accounts and other payables	9	396,067,651	627,989,733	1,281,249,999	-	-
Advances from related parties	14.1	9,130,645,021	-	-	-	-
		P 9,526,712,672	P 1,061,171,304	P 1,472,189,698	P 1,180,086,692	P 560,529,626

As at December 31, 2022, the Company's financial liabilities have contractual maturities which are presented below.

	Notes	Current			Non-current	
		Due and Demandable	Within Six Months	Within Six to Twelve Months	One to Five Years	More Than Five Years
Interest-bearing loans and borrowings	10	P -	P 986,812,445	P 398,672,611	P 650,622,769	P 449,138,778
Accounts and other payables	9	360,129,533	608,502,260	1,281,249,999	-	-
Advances from related parties	14.1	9,503,056,635	-	-	-	-
		P 9,863,186,168	P 1,595,314,705	P 1,679,922,610	P 650,622,769	P 449,138,778

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.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 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 statements of financial position are shown below.

Notes	2023		2022	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets –				
<i>At amortized cost:</i>				
Cash	P 58,486,779	P 58,486,779	P 3,261,170	P 3,261,170
Trade and other receivables	4 1,011,081,502	1,011,081,502	884,125,957	884,125,957
Advances to related parties	14.1 8,788,771,532	8,788,771,532	8,817,000,212	8,817,000,212
Security deposits	5 4,544,077	4,544,077	4,544,077	4,544,077
Restricted cash	5 335,112	335,112	335,112	335,112
	P 9,863,219,002	P 9,863,219,002	P 9,709,266,528	P 9,709,266,528
Financial Liabilities –				
<i>At amortized cost:</i>				
Interest-bearing loans and borrowings (except lease liabilities)	10 P 1,581,064,694	P 2,046,037,806	P 1,907,335,892	P 1,859,028,048
Accounts and other payables	9 2,305,307,382	2,305,307,382	2,249,881,791	2,249,881,791
Advances from related parties	14.1 9,130,645,021	9,130,645,021	9,503,056,635	9,503,056,635
	P 13,017,017,097	P 13,481,990,209	P 13,660,274,318	P 13,611,966,474

See Notes 2.4 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial assets and financial liabilities in 2023 and 2022 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 Company's outstanding interest-bearing loans from certain banks can be potentially set-off to the extent of the Company's outstanding cash deposited in the same banks. Restricted cash represents bank accounts that are reserved for debt service requirements in relation to certain loans of the Company.

The outstanding balances of trade and other receivables and cash advances granted to related parties totaling P9,791.0 million and P9,707.3 million as of December 31, 2023 and 2022, respectively, may be offset against the outstanding balances of accounts and other payables and cash advances obtained from related parties totaling P9,639.6 million and P10,029.2 million as of December 31, 2023 and 2022, respectively.

The Company also has cash balances are also restricted for use to secure line of credits with banks (see Notes 5 and 10.1).

20. FAIR VALUE MEASUREMENTS AND DISCLOSURES

20.1 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 Company 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.

20.2 Financial Instruments Measured at Fair Value

The Company has no financial assets and financial liabilities measured at fair value as of December 31, 2023 and 2022.

20.3 Financial Instruments Measured at Amortized Cost but for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Company's financial assets and financial liabilities as of December 31, 2023 and 2022, which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

Fair Value Hierarchy as of December 31, 2023									
	Notes		Level 1		Level 2		Level 3		Total
Financial Assets –									
At amortized cost:									
Cash		P	58,486,779	P	-	P	-	P	58,486,779
Trade and other receivables	4		-		-		1,011,081,502		1,011,081,502
Advances to related parties	14.1		-		-		8,788,771,532		8,788,771,532
Security deposits	5		-		-		4,544,077		4,544,077
Restricted cash	5		-		-		335,112		335,112
			<u>P 58,486,779</u>		<u>P -</u>		<u>P 9,804,732,223</u>		<u>P 9,863,219,002</u>
Financial Liabilities –									
At amortized cost:									
Interest-bearing loans and borrowings	10	P	-	P	-	P	2,046,037,806	P	2,046,037,806
Accounts and other payables	9		-		-		2,305,307,382		2,305,307,382
Advances from related parties	14.1		-		-		9,130,645,021		9,130,645,021
			<u>P -</u>		<u>P -</u>		<u>P 13,481,990,209</u>		<u>P 13,481,990,209</u>
Fair Value Hierarchy as of December 31, 2022									
	Notes		Level 1		Level 2		Level 3		Total
Financial Assets –									
At amortized cost:									
Cash		P	3,261,170	P	-	P	-	P	3,261,170
Trade and other receivables	4		-		-		884,125,957		884,125,957
Advances to related parties	14.1		-		-		8,817,000,212		8,817,000,212
Security deposits	5		-		-		4,544,077		4,544,077
Restricted cash	5		-		-		335,112		335,112
			<u>P 3,261,170</u>		<u>P -</u>		<u>P 9,706,005,358</u>		<u>P 9,709,266,528</u>
Financial Liabilities –									
At amortized cost:									
Interest-bearing loans and borrowings	10	P	-	P	-	P	1,859,028,048	P	1,859,028,048
Accounts and other payables	9		-		-		2,249,881,791		2,249,881,791
Advances from related parties	14.1		-		-		9,503,056,635		9,503,056,635
			<u>P -</u>		<u>P -</u>		<u>P 13,611,966,474</u>		<u>P 13,611,966,474</u>

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.

20.4 Fair Value Measurements of Non-financial Assets

The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with adjustments on the price for the differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. On the other hand, if the observable recent prices of the reference properties were not adjusted, the fair value is included in Level 2. The most significant input into this valuation approach is the price per square meter of the land; hence, the higher the price per square meter, the higher the fair value.

As at December 31, 2023 and 2022, the fair value of the land classified under investment property amounted to P1,881.1 million and P1,520.1 million, respectively, as determined by reference to current prices for similar properties in the same location and condition. Accordingly, the Company's investment property as at December 31, 2023 and 2022 is not impaired.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2023</u>	<u>2022</u>
Total liabilities	P 13,269,942,742	P 13,918,038,786
Total equity	<u>12,393,707,095</u>	<u>11,994,599,567</u>
Debt-to-equity ratio	<u>1.07 : 1.00</u>	<u>1.16 : 1.00</u>

The Company's goal in capital management is to maintain a debt-to-equity structure ratio which is in line with the Company's covenants related to its bank borrowings.

The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities. The Company 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 Company may issue new shares or sell assets to reduce debt.

22. SUPPLEMENTAL INFORMATION ON NON-CASH ACTIVITIES

Discussed below are the supplemental on non-cash activities relative to the statements of cash flows of the Company.

- (a) In 2023, the Company converted certain loans totaling to P233.4 million to equity and is presented as part of Capital stock and APIC as of December 31, 2023.
- (b) In 2022, the Company reclassified its outstanding Deposits for future stock subscriptions to Capital stock and APIC amounting to P720.4 million upon approval of the increase in authorized capital stock of the Company by SEC.
- (c) In 2022 and 2021, the Company has pre-terminated certain lease contracts which resulted to the derecognition of related right-of-use assets amounting to P18.9 million and P65.6 million, and lease liabilities amounting to P21.4 million and P64.4 million, respectively. Relative to this, the Company recognized gain on pretermination of lease amounting to P2.5 million and P4.5 million in 2022 and 2021, respectively, and is presented as part of Other Income in the statements of comprehensive income (see Notes 6, 10.4 and 11.2).
- (d) In 2021, KGLI-NM sold its investment in 2GO for a total consideration of P7,460.3 million to third parties. Portion of the consideration amounting to P6,550.3 million was offset against a loan of the parent company and is passed through in the Company as advances to and from related parties in the 2021 statement of financial position (see Note 14.1). Further, P35.2 million of the total consideration was used to offset against the Company's payables with 2GO in 2021. Remaining balance of the consideration was used to acquire the Preferred B shares of KGLI-NM from its previous owner (see Note 8).
- (e) In 2021, the Company reclassified advances to related parties amounting to P263.2 million to form part of the Company's additional investment in Starlite (see Notes 8 and 14).

23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under RR No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) Output VAT

In 2023, the Company declared output VAT amounting to P39,995,774 based on its VATable gross receipts amounting to P332,964,782 reported as part of Revenues in the 2023 statement of comprehensive income. The outstanding Deferred Output VAT payable, which pertains to uncollected revenues, as of December 31, 2023 amounted to P123,944,736 is presented as part of Accounts and Other Payables account in the 2023 statement of financial position.

(b) *Input VAT*

The movement in Input VAT for the year ended December 31, 2023 is summarized below.

Balance at beginning of year	P	9,000
Domestic purchase of services		22,361,773
Domestic purchase of goods other than capital goods		2,985,658
Input tax on capital goods subject to amortization		2,248
Application against output VAT	(	<u>25,358,679)</u>
Balance at end of year	P	<u>-</u>

The Company has outstanding deferred input VAT as of December 31, 2023 amounting to P64,072,806 and is presented as part of Other Current Assets account in the 2023 statement of financial position.

(c) *Taxes on Importation*

The Company has not paid or accrued any customs duties and tariff fees as it did not have any importation for the year ended December 31, 2023.

(d) *Excise Taxes*

The Company did not have any transactions in 2023, which are subject to excise tax.

(e) *Documentary Stamp Taxes (DST)*

The details of DST paid by the Company for the year ended December 31, 2023 are as follows.

Loan instruments	P	2,720,153
Equity instrument		<u>777,910</u>
	P	<u>3,498,063</u>

(f) *Taxes and Licenses*

Taxes and licenses for the year ended December 31, 2023 are presented under Operating Expenses account in the 2023 statement of comprehensive income and broken down as follows:

DST	P	3,498,063
Business and local taxes		2,712,449
Annual registration fee		<u>500</u>
	P	<u>6,211,012</u>

(g) *Withholding Taxes*

The details of the total withholding taxes for the year ended December 31, 2023 are shown below.

Expanded	P	29,117,234
Compensation and benefits		23,200,646
Final		<u>3,182,141</u>
	P	<u>34,620,021</u>

(h) *Deficiency Tax Assessment and Cases*

As at December 31, 2023, the Company does not have any final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements


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The Board of Directors and Stockholders
Chelsea Logistics and Infrastructure 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 financial statements of Chelsea Logistics and Infrastructure Holdings Corp. for the year ended December 31, 2023, on which we have rendered our report dated May 14, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Map Showing the Relationships Between and Among the Company and its Related Entities and Retained Earnings reconciliation are presented for additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and are not required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO


By: Mary Grace A. Punay
Partner

CPA Reg. No. 0116576
TIN 244-931-755
PTR No. 9477629, January 12, 2024, City of Davao
SEC Group A Accreditation
Partner - No. 116576-SEC (until financial period 2025)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-043-2021 (until Nov. 9, 2024)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

May 14, 2024

Map Showing the Relationship Between and Among Related Entities
December 31, 2023



CHELSEA LOGISTICS AND INFRASTRUCTURE 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, 2023**

Unappropriated retained earnings, beginning of year	(P 647,276,799)
Less: Net loss for the current year	(323,249,754)
Add: Other items that should have been excluded from the determination of the amount of available for dividends distribution	
Net movement in deferred tax assets	(<u>112,132,130</u>)
 Total retained earnings, end of year	 (P <u><u>1,082,658,683</u></u>)

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC)
Location of Headquarters	Stella Hizon Reyes Road, Bo. Pampanga, Davao City Philippines 8000
Location of Operations	Nationwide Operations
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation, TASLI Services Incorporated
Business Model, including Primary Activities, Brands, Products, and Services	Tankering, Cargo Shipping/Freight, Passenger Shipping, Tugboat Services and Logistics & Warehousing
Reporting Period	FY2023
Highest Ranking Person responsible for this report	Chryss Alfonsus V. Damuy President & CEO

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹⁴

The scope of this Sustainability Report extends to CLIHC's 6 main subsidiaries over which it has direct ownership control: Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation and TASLI Services Incorporated. These 6 subsidiaries have material contributions and impact on the Group in terms of business operations and continuity.

Due to the Chelsea Group's broad operations in the shipping and logistics sectors which cater to various corporate and retail accounts, this Report limits the scope to the general and common issues to be able to provide a clear introduction to the Group's operations.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	7,048	₱ mn
Direct economic value distributed:		₱ mn
a. Operating costs	6,179	₱ mn
b. Employee wages and benefits	912	₱ mn
c. Payments to suppliers, other operating costs	Refer to a	₱ mn
d. Dividends given to stockholders and interest payments to loan providers	717*	₱ mn
e. Taxes given to government	96**	₱ mn
f. Investments to community (e.g. donations, CSR)	0.138	₱ mn

*Interest Payments for 2023

**Tax Expense for 2023

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>CLIHC's core businesses include Tankering, Freight, Passage, Tugboat services and Logistics Services.</p> <p>CLIHC takes pride in transporting passengers throughout the archipelago, as passage shipping remains the economically efficient way to move people in the country.</p> <p>CLIHC's tankering, cargo transport, logistics and tugboat services supports various businesses across the country. Shipping is the primary means of inter-island transport, especially for bulk goods.</p> <p>CLIHC's core businesses play vital roles in economic growth and development.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>The Management is focused on modernizing and right-sizing our vessel fleet, ramping up our logistics and warehousing capacity, and synergizing all our operations.</p> <p>CLIHC also aims to contribute to the improvement of the shipping industry by applying the best practices in ship management and in adhering to global standards.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> Maritime vessels are susceptible to maritime accidents and mechanical breakdowns Changes in the regulatory environment Highly-competitive industry Business cycle risks <p>For more information, please see 17A, Item 2</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>Please see 17A, Item 2</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>The Philippines has a robust economic growth, increasing GDP per Capita, increasing OFW remittances and tourist arrivals, and evident growth in the e-commerce sector.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>All of CLIHC's core businesses support its main economic growth thrust which in turn, would be valuable to all our stakeholders.</p>

Climate-related risks and opportunities

CLIHC and its main subsidiaries have focused on growing the core businesses in the last 7 years through various acquisitions and fleet modernization and right-sizing program. CLIHC acknowledges the need to identify and manage climate-related risks and take advantage of opportunities that come. While the Group is in the process of synergizing its operations, with climate-related risks and safety at the top of mind, hereunder is a snapshot of its accomplishment regarding this matter for 2020:

Governance	Strategy	Risk Management	Metric and Targets
Safety Management	Ensure satisfactory Quality Management	Regular internal audit of our processes	Achieved ISO 9001:2015 Certification in January 2020
Vessel Maintenance	Ensure quality control in the shipping environment	Planned investments in vessel maintenance	Compliance with pertinent domestic maritime (MARINA) regulations and applicable international conventions.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Helps the local economy.	Shareholders Employees Government Customers Suppliers Various communities	CLIHC Procurement Department is focused on helping local markets by building networks with international companies with presence in the country. When these companies look for local suppliers for their operational requirements, CLIHC refers them to local suppliers.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>High Cost: Mark-up from several channels the products or services went through before the Company receives the same. Government fees should also be taken into account.</p> <p>Lead Time: Suppliers are dependent on Genuine Makers/ Dealers overseas' readiness to supply.</p> <p>After Sales. Many steps to be completed before getting feedback on warranty.</p> <p>Suppliers' Company Stability</p>	<p>Shareholders Employees</p> <p>Suppliers Procurement Officers Clients</p>	<p>CLIHC Procurement Department draws up plan for consolidated purchase prior to selection of credible suppliers, for restricted tendering.</p> <p>CLIHC Procurement Department administers bidding processes maintaining 3 quotes per request.</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Low production cost and fast production cycle Improvement of public relations Accurate budget forecasting	Order requestor Suppliers Procurement Officers Clients	CLIHG Procurement Department ensures strategic sourcing process with utmost transparency and accountability.

Anti-Corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Amount	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Incidents of Corruption

Disclosure	Amount	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	For TASLI, 9M; For CSC, est.20,000 liters.	Liters
Energy consumption (LPG)	2,050** (Tugboats/ lay up Tanker vessels)	Kg
Energy consumption (diesel)	For SFI, 20.7M; For CSC, ADO 106,000 (including laid-up vessels); IFO - 0	Liters
Energy consumption (electricity)	For TASLI RoPax, 110 Kwh For TASLI Freighters, 40kWH For SFI Ropax, 80kWH For CSC, 2 tankers with 3 gensets each with 150-200KW capacity. For CSC tugs, 15 tugs with 2 gensets working alternately with capacity of 70kw each	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	For CSC, est. 70,000 liters reduction – Time Charter vessels	Liters
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The energy consumption is a major direct cost for the Group.	Shareholders Management Employees	We try to save our resources by implementing the following rules and procedures: Safe and Shortest route of Navigation Close monitoring day to day operation Control of daily Consumption Sounding of Tanks
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Fluctuating energy prices	Shareholders Management Employees	We do not keep inventories of oil and electricity as most of our operations are in the country.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Purchase of Diesel (our major direct cost) from a sister company—Phoenix Petroleum	Shareholders Management Employees	Purchase of diesel from a sister company would help the Company save on costs.

Water consumption within the organization:

Disclosure	Quantity	Units
Water withdrawal	Est 70,000	Cubic meters
Water consumption	For TASLI RoPax, 18MT/day; For TASLI Freighters, 6Mtons/ day; For SFI, 32Mtons/day; For CSC, 4.5 Mtons/day (Laid-up vessels with 4 crew)	Metric Tons
Water recycled and reused	N/A	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Materials used by the organization:

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> Renewable 	N/A	Kg/liters
<ul style="list-style-type: none"> Non-renewable 	<p>For TASLI, 9M liters of Diesel Oil and 8.3M liters of IFO for 25,178 nautical miles;</p> <p>For SFI, ADO est. 24M liters; IFO (n/a);</p> <p>For CSC, est 106,000 liters ADO, IFO – 0.0 Mtons</p>	Liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas shore areas?	N/A	
Habitats protected or restored our shore clean up and tree-planting activities ?	7,868	trees planted
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	For SFI, Freon R22 - 60kg (older vessel); Freon R-404A - 80kg (newer vessel) For Tasli, Freon R22 - Est. 150 kg/ year; For CSC, Freon404A, 23 kg (newer vessels)	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Air pollutants

Disclosure	Quantity	Units
NOx	For Chelsea Providence, compliant using VLSFO Very Low Sulfur Fuel Oil	Kg
Sox	ADO - Est 64	Kg
Persistent organic pollutants (POPs)	N/A	Kg
Volatile organic compounds (VOCs)	N/A	Kg
Hazardous air pollutants (HAPs)	N/A	Kg
Particulate matter (PM)	N/A	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	For CSC, estimated 5kg/voyage	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Effluents

Disclosure		Quantity	Units
Total volume of water discharges		For TASLI, 50 Metric tons; For SFI, 100 cubic meters; For CSC, est 50 cubic meters, some vessels have sewage holding tanks (IACS-classed)	
Percent of wastewater recycled		N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	n/a	

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	₱
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁸	2286	
a. Number of female employees	567	#
b. Number of male employees	1719	#
Attrition rate ¹⁹		rate
Ratio of lowest paid employee against minimum wage	n/a	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	9	20
PhilHealth	Y*	4	2
Pag-ibig	Y*	7	9
Parental leaves	Y*	1	0
Vacation leaves	Y	100	100
Sick leaves	Y	38	19
Medical benefits (aside from PhilHealth))	Y*	48	60
Housing assistance (aside from Pag-Ibig)	Y	0.00	0.00
Retirement fund (aside from SSS)	Y	1	1
Further education support	Y	0	0
Company stock options	Y	65	65
Telecommuting	Y	58	45
Flexible-working Hours	Y	84	88
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Employee benefits are significant and a key to attract and retain talents, it enables the organization to provide a positive work environment. It creates a culture of productive workforce.</i>	Shareholders Employees Government Customers Suppliers	<i>Employee benefits policies and guidelines are reviewed regularly and aligned according to the needs of the people.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	3886	hours
b. Male employees	13750	hours
Average training hours provided to employees		
a. Female employees	7	hours/employee
b. Male employees	8	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Trainings conducted in compliance to DOLE and to improve employee productivity	Shareholders Employees Government Customers Suppliers	<p>As the organization began consolidating services to its subsidiaries, one of the key training needed is for backend support using Google Applications, SAP, and various business applications modules to adopt to the digitalization program of the Company.</p> <p>A regular 8-hr Mandatory Basic Occupational Safety Training is continuously given to employees by the Company Safety Committee and by HR for all employees and new hires.</p> <p>The Company conducts regular New Hire Orientations as well as internal training and familiarization on Data Privacy Law and Safe Spaces Act.</p> <p>For functional training for the enhancement of knowledge and</p>

		<p>application, particularly for shipping, a Ship Management Summit with Strategic Planning incorporated therein was conducted. This has great impact on the day to day operations of vessels as well as on back end support.</p> <p>The Company conducts internal training and its impact is continuously evaluated particularly for functional training.</p> <p>The Company conducts yearly competency-based learning per organizational level. This training is also evaluated for improvement and to know additional training needed.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk of employees who underwent training but for one reason or another had to leave the company.	Shareholders Employees Government Customers Suppliers	The Company requires echo training and coaching of staff or colleagues and apart from the reciprocal agreement where the employee will have to stay and fulfil the reciprocal agreement term or its monetary equivalent.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Improved employee performance through training gives higher chances of achievement of company goals, profitability and sustainability. The satisfaction and morale of employees will also improve as training which is an investment of the company for the employee/s shows that they are being valued.	Shareholders Employees Government Customers Suppliers	Training targets the weaknesses of employees. It will then eventually increase productivity and adherence to quality standards.

Labor-Management Relations

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Collective bargaining can help build trust and mutual respect between employers, workers and their organizations, and contribute to stable and productive labour relations.	Shareholders Employees	Townhalls and employee engagements
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Company may endure higher labor cost with demand of benefits and may decrease labor control	Shareholders Employees	The Company maintains its open communication with the employees with different mediums, such as Advisories, quarterly Townhalls, etc., to update the employees of the Company's standing in attaining its goals.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The yearly agreements with the employees can help in improving productivity levels.	Shareholders Employees	Transparent communication with the employees encourages support and cooperation to be able to attain certain targets for the benefit of everyone.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	13.5	%
Number of consultations conducted with employees concerning employee-related policies	2	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	25	%
% of male workers in the workforce	75	%
Number of employees from indigenous communities and/or vulnerable sector*	4 (solo parent)	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	Employees	The company supports the law about Solo Parent and complies with its regulatory requirement

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	908,546 (Tankers and office)	Man-hours
No. of work-related injuries	1* (for Tankers) Crew suffered minor injury while lifting cargo valve	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	1*(Tankers – Company-wide emergency drill involving vessel in peril) Vessels conduct monthly drills as mandated by SOLAS	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Health & Physical Impact Business Impact	Employees Customers Management	Management is involved in safety & health programs and must participate in Safety meetings. Encourage employee to report incidents Regular HSSE Meetings & OSHA Compliance) Enhance Safety & Health training
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible DOLE/ OSHA fine & penalties Increased unnecessary costs to the organization	Employees Customers Management	Management to promote & support S&H program (regular walk around inspection) Implementation of hazard identification, Risk Assessment & JSA. Create a Safety & Health Program (DOLE
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Structure improvement to the workplace and working environment Increased S&H knowledge & awareness Improve S&H processes, procedures and programs	Employees Customers Management	Management provides a safe workplace for all employees Management support of the training courses and evaluation of effectiveness Implement a Safety & Health Program

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Chelsea Group Handbook and Code of Conduct
Child labor	Y	Chelsea Group Handbook and Code of Conduct
Human Rights	Y	Chelsea Group Handbook and Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

None. However, we have provided our suppliers with accreditation guidelines, forms and documentary requirements for submission.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N/A	
Forced labor	N/A	
Child labor	N/A	
Human Rights	N/A	
Bribery and corruption	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if Applicable) *	Does the particular operation have impact on indigenous people (Y/N)?	Collective /individual rights that have been identified that are of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Disposal of Scraps in Warehouses	CSC	N/A	N	Environmental Conservation	Developing waste management plans, promoting clean and organized warehouse for efficient operations, and ensuring safety of employees.
Hiring of Female Crews in Ships (10% of manpower target for 2020)	All subsidiaries	N/A	N	Promoting Women's Rights, Gender Equality and creating new jobs for women in the society especially in the Maritime field.	One of the group's vessels already has an all-female crew, and the Company is looking into expanding this initiative to more ships.

Offering discounted fares, special promos, and group discounts	All subsidiaries	N/A	N	Access to affordable services	Engaging customers and potential customers to avail our services that are affordable compared to other competitors.
PWD, Senior Citizens, and Student Discounts	All subsidiaries	PWDs and Senior Citizens	N	Access to affordable services	Strengthening systems that keep track of PWDs, Seniors, and Students. Promoting good relationship and quality service leading to customer retention.
Cadetship Program	CSC	N/A	N	Employment opportunities for shipping crew	
Tourism Marketing	All subsidiaries, except Worklink	N/A	Y	Promoting local tourism to encourage locals and tourists in travelling Philippines' top destinations by sea.	

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction survey? (Y/N)
Customer satisfaction	N/A	For TASLI, all surveys were done in-house through email.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	For TASLI, zero complaints on health & safety in 2022.	

No. of complaints addressed	For TASLI, complaint for surcharge was received and replied to.	#
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**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Changes in schedules and in budgeted expenses	Employees Customer Shareholders Community	<p>The Company endeavors to continually improve its Safety Management System (SMS) by adopting new processes and procedures and other guidelines for best practices in accordance with International Shipping Standards.</p> <p>The Company is also enhancing its Ship modernization program.</p> <p>The Company also ensures that each ship is manned by only qualified, certificated and medically-fit seafarers in accordance with national and international requirements, the Company has developed procedures to ensure sufficiency of its resources in terms of personnel.</p> <p>Safety procedures, emergency procedures, planned maintenance system, training manual, job description, job safety analysis and garbage management have been clearly stipulated in the Company's established system.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>Possible customer dissatisfaction</p> <p>Possible damage to vessel, damage to property and accident continue to occur in</p>	Employees Customer Shareholders Community	All employees of the Company are mandated to strictly adhere to its established system, specifically on its Safety and Environmental Protection Policy.

our organization despite our identified corrective/preventive actions.		The Company aims to provide a secure environment for all its employees, contractors and clients, thus Security Policy has been developed whereby all employees and contractors are expected to comply with the set of security measures and all requirements of the law. They shall take all necessary precautions to protect themselves, their colleagues, the ship, cargoes, passengers and the environment from all criminal or malicious acts.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Opportunity to improve our products and services	Employees Customer Shareholders Community	Crew Training Program

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	Average of 12/month	#
No. of complaints addressed	All complaints are attended to	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

*Substantiated complaints include complaints from customers that went through the organization's

formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable








Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Tankering Services, Freight, Passenger Transport, Tugboat service & Logistics & Warehousing	      	<p>Increased Carbon Imprint, Harmful chemical waste to the environment</p> <p>Health & Safety risk for the crews and employees</p> <p>Work fatigue, Low employee morale</p>	<p>Ship modernization program</p> <p>100% migration of servers and digital solutions to Cloud</p> <p>Optimized routes for vessels to lessen travel time decreasing carbon imprint.</p> <p>Yearly participation in tree planting in partnership with the LGUs</p> <p>Health & Safety guidelines, seminars, PPEs, and hazard pay for crew and employees</p> <p>Knowledge Sharing Program, Women Empowerment Campaign, Partnership with Public and Private Institutions to uphold employee wellness and social/ environmental accountability</p>

None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

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)

1	2	3	1
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Month *Day*
(Fiscal Year)

1	7	-	A	
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(Form Type)

0	4	29	
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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

32

Total No. of Stockholders

Total Amount of Borrowings

14,826,923,711

Domestic

2,943,706,377

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document ID

LCU

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT OF CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.
PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (THE "CODE" OR "SRC")

1. For the fiscal year ended: **31 December 2023**
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. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **Stella Hizon Reyes Road, Bo. Pampanga
Davao City 8000**
8. Registrant's telephone number: **(082)224-5373**
9. 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	₱ 1.00	1,821,977,615

10. 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

11. Check whether the issuer:

1. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

☒ Yes

☐ No

2. Has been subject to such filing requirements for the past ninety (90) days.

☒ Yes

☐ No

Contents

PART I – BUSINESS AND GENERAL INFORMATION.....	2
PARTII – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT’S COMMON EQUITY	24
PART III – FINANCIAL INFORMATION.....	26
PART IV – CONTROL AND COMPENSATION INFORMATION.....	27
PART V – CORPORATE GOVERNANCE.....	40
PART VI EXHIBITS AND SCHEDULES.....	42

PART I – BUSINESS AND GENERAL INFORMATION

I. Business Overview

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 ₱2.0 Billion.

On December 12, 2016, the Company acquired 100% ownership interest in Trans-Asia Shipping Lines, Incorporated for a total consideration of ₱216.3 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 owned 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008, and which held 39.85% economic interest in Negros Navigation Co., Inc. (NENACO). KGLI-NM acquired such interests in NENACO on May 13, 2008. NENACO, in turn owned 88.31% of 2Go Group, Inc. (2Go). NENACO acquired its interests in 2Go on December 28, 2010. Hence, CLIHC had a 28.15% indirect economic interest in 2Go. On March 18, 2021, CLIHC entered into a Share Purchase Agreement for the sale of its entire effective interests of around 31.73% in 2Go Group, Inc. through KGLI-NM Holdings, Inc.

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 the 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. PNX-Chelsea Shipping Corp. (PNX-Chelsea), incorporated on February 2, 2011, operates 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, is engaged in the general business of building and repairing ships, boats, and other kinds of vessels, as well as in shipbreaking 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.

- i. Chelsea Shipping and Logistics Pte. Ltd. incorporated and domiciled in the Republic of Singapore and is primarily engaged in the business of management consultancy services. This company has not yet started commercial operations as of December 31, 2023.

Trans-Asia Shipping Lines, Incorporated

Trans-Asia Shipping Lines, Incorporated (Trans-Asia), incorporated on March 25, 1974, transports passengers and cargo within Philippine territorial waters and/or on 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. Stary Shoppe, Inc. (SSI), incorporated on March 31, 2005, 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.
- 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, is engaged in the business of transporting persons and/or their baggage, cargo, goods, merchandise or effects by land and owning, leasing or chartering, offering for lease or chartering or operating land vehicles such as, but not limited to, buses, cars, jeeps or vans.

TASLI Services Incorporated

TASLI Services Incorporated was incorporated on September 10, 2019, and is engaged in the business of shipping agency and maritime operations and services. TASLI Services handles the operations of cargo vessels that operate from Manila with routes to Cebu, Davao, and back.

Worklink Services, Inc.

Worklink Services, Inc. (WSI), established in February 1999, provides domestic logistics solutions 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 as audit and encoding

Starlite Ferries, Inc.

Starlite Ferries, Inc. (SFI), incorporated on 26 August 1994, is engaged in the general business of domestic shipping, owning and operating any class, type, or description for domestic trade and chartering in and out of 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 vessels 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.

Another wholly-owned subsidiary, Precision Supply Chain Solution, Inc., was incorporated on 28 December 2023 and is engaged in the business of providing complete foreign and domestic end-to-end logistics and distribution services for any and all kinds of goods including last-mile delivery through the use of available motor vehicles and vessels, aircraft, and to operate the necessary warehouses in connection with said logistics and distribution services.

The Supercat Fast Ferry Corporation

The Supercat Fast Ferry Corporation, incorporated on 20 June 2001, is a passenger transport company that operates 11 fastcrafts on the routes Cebu—Ormoc, Cebu- Tagbilaran, Batangas—Calapan, and Bacolod- Iloilo.

Item 3. Subsidiaries

The following is the list of the Company's subsidiaries/affiliates as of December 31, 2023:

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Chelsea Shipping Corp.	Philippines	Petroleum hauling	17 July 2006	100%
PNX-Chelsea Shipping Corp. ¹	Philippines	Petroleum hauling	2 February 2011	100%
Fortis Tugs Corporation ¹	Philippines	Towage, salvage of marine vessels	8 April 2013	100%
Davao Gulf Marine Services Inc. ²	Philippines	Towage, salvage of marine vessels	18 January 2012	100%
Michael Inc. ¹	Philippines	Cargo transport	26 December 1957	100%
Bunkers Manila Incorporated ¹	Philippines	Inter-island vessels for domestic trade	7 March 2000	100%
Chelsea Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	30 March 2012	100%
Chelsea Marine Manpower Resources, Inc. ¹	Philippines	Crewing	9 June 2016	100%
Chelsea Dockyard Corp. ¹	Philippines	Ship repairs and maintenance	8 January 2018	100%
CD Ship Management & Marine Services Corp. ¹	Philippines	Ship management services	14 March 2018	100%
Chelsea Shipping and Logistics	Singapore	Management	2012	100%

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Ownership (%)
Pte. Ltd.		consultancy services		
Trans-Asia Shipping Lines, Incorporated	Philippines	Cargo/passengers inter-island transport	25 March 1974	100%
Ocean Star Shipping Corporation ³	Philippines	Towing services	6 July 2006	100%
Starsy Shoppe, Inc. ³	Philippines	Gift shop & convenience store	31 March 2005	100%
Dynamic Cuisine Inc. ³	Philippines	On-board restaurant	21 June 2000	100%
Quality Metal & Shipworks, Inc. ³	Philippines	Ship repairs and maintenance	28 November 2007	100%
Star Maritima Port and Allied Services, Inc. ³	Philippines	Arrastre services	11 October 2018	100%
Big Hub Transport and Logistics Corp.	Philippines	Trucking services	24 November	100%
Worklink Services, Inc.	Philippines	Logistics and forwarding	February 1999	100%
Starlite Ferries, Inc.	Philippines	Cargo/passengers inter-island transport	26 August 1994	100%
Starbites Food Services Corp. ⁴	Philippines	On-board restaurant	27 June 2018	100%
Starlite Gallant Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	16 March 2017	100%
Starlite Premier Ferries, Inc. ⁴	Philippines	Cargo/passengers inter-island transport	26 July 2016	100%
Precision Supply Chain Solution, Inc. ⁴	Philippines	Logistics and distribution services	28 December 2023	100%
The Supercat Fast Ferry Corporation	Philippines	Inter-island transport	20 June 2001	100%
TASLI Services Incorporated	Philippines	Shipping agency business; maritime operations / services	10 September 2019	100%
Udenna Investments BV	The Netherlands	Holding Company	25 August 1994	100%
KGLI – NM Holdings, Inc.*	Philippines	Holding Company	8 August 2008	100%
Dito Holdings Corp.	Philippines	Holding Company	4 November 2019	8.59%

¹Wholly-owned subsidiary of Chelsea Shipping

²Wholly-owned subsidiary of Fortis Tugs

³Wholly-owned subsidiary of Trans-Asia

⁴Wholly-owned subsidiary of Starlite

Item 4. Significant Philippine Associates and Affiliates

Company	Place of Incorporation	Principal Activities	Date of Incorporation	Relationship
Udenna Corporation	Philippines	Holding Company	19 March 2002	Parent of Chelsea Logistics and Infrastructure Holdings Corp.
Phoenix Petroleum Philippines, Inc.	Philippines	Petroleum	8 May 2002	43.85% owned by Udenna Corporation
PH Resorts Group Holdings, Inc.	Philippines	Tourism and gaming	30 January 2009	77.49% owned by Udenna Corporation
Dito CME Holdings Corp.	Philippines	Holding Company	1 March 1925	54.77% owned by Udenna Corporation

Item 5. Competition

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 approximately 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. ¹It is also an 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 subsidiaries operating nationwide: Chelsea Shipping, Trans-Asia Shipping Lines and Starlite Ferries handle shipping of cargoes, while Worklink Services provides end-to-end logistics solutions through its 77 delivery trucks and 11,294 sq.m. of warehousing capacity.

The major competitors in the Freight sector are:

1. Philippine Span Asia Carrier Corp.
2. Moreta Shipping Lines, Inc.
6. Cokaliong Shipping Lines, Inc.
7. 2Go Group, Inc.

- | | |
|--|-------------------------------------|
| 3. IRIS Lines | 8. Lite Shipping Corporation |
| 4. Meridian Shipping and Container Carrier, Inc. | 9. Gothong Southern Shipping Lines |
| 5. Oceanic Container Lines Inc. | 10. Kho Shipping Lines Incorporated |

B. Tankers

The transport of petroleum products is one of the essential businesses that propel the growth of the Philippine economy. There are approximately 7,641 islands in the country, of which more than half are inhabited. The populace needs fuel for transportation, electrical power, farming and other activities. It is the oil tankers and trucks which make sure that fuel is transported to places in our country where and when it is needed.

As of November 2023, the Maritime Industry Authority (MARINA) registered approximately 187 tankers in the country, with an average GRT of 1071.10 and an average age of 21 years.

Below are the major competitors of CLIHC on the tanker business:

1. SMC Shipping & Lighterage Corporation
2. Herma Shipping Group
3. Shogun Ships Co.
4. Swordfish Marine Corp./ Animo Marine Corp.

C. Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing/ pulling and towing them. Tugboats are widely utilized and useful especially in narrow & difficult waterways and crowded ports. Tug boats are designed with a wide range of mobility with their special propulsion system and steering structures which are used for docking & undocking and towing activities, as well as for rescue and oil spill drills. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

According to the November 2023 records of the MARINA, there are 952 registered tugboats and dredgers/barges in the Philippines with an average GRT of 653.72 and an average age of 28 years. Majority of the smaller GRT tugboats hold a Bay & River trading license from the 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. Sedar Tug Services Corp.
4. 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 November 2023, there are 3,933 passenger vessels registered with the MARINA, with an average GRT of 115.69 and an average age of 6 years. For the same period, there are 2,256, cargo vessels registered with the MARINA, with an average GRT of 782.67 and an average age of 18 years.

CLIHC's main competitors in RoPax segment include:

1. Asian Marine Transport Corporation
2. 2Go Travel
3. Cokaliong Shipping Lines, Inc.
4. Lite Shipping Corporation
5. Montenegro Shipping Lines, Inc.
6. Archipelago Philippine Ferries Corporation
7. Kho Shipping Lines Incorporated

E. Fast Craft Business

Fast crafts are high-speed catamarans which ferry passengers on short routes between islands.

CLIHC's main competitors in the fast craft business are:

1. Oceanjet Fast Ferries Corporation (Operator of Oceanjet Fast Crafts)
2. SRN Fast Seacrafts (Operator of Weesam Express Fast Crafts)
3. Grand Ferries (Operator of SeaCat Ferries)

Item 6. Costs and Effect of Compliance with Environmental Laws

The Company incurred ₱14,166,809.18 and ₱12,827,095.63 for 2023 and 2022, respectively for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses.

Item 7. Employees and Agreements of Labor Contracts, Including Duration

As of December 31, 2023, the Company has a total of 2,286 employees, 804 of which are crewmen and are stationed at various ports of operation, while the other 1,482 employees are office personnel or are members of support services.

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. On July 8,

2022, the separate CBAs for both unions were accordingly renewed effective August 11, 2022 and valid until August 10, 2027. The relationship with the unions has been generally harmonious and there has been no incidence of labor strikes in the past twenty-three (23) years, up to the present. There is also no impending or threatened labor strike.

Item 8. Corporate Social Responsibility

Chelsea Logistics and Infrastructure Holdings Corp. and its Subsidiaries (CLIHC Group) are driven to deliver exceptional performance by promoting innovative and integrated shipping and logistics services and diligent stewardship of their resources. The CLIHC Group continues to strengthen its partnerships with the local communities to achieve tangible and sustainable Corporate Social Responsibilities (CSR) Program Plans, thereby maximizing favorable impact on the society and environment.

The CLIHC Group is one with the country and the global community in the promotion and realization of sustainable development goals with priority on quality education, climate action, gender equality, and inclusive partnerships.

Building Pillars Toward Sustainability

At the heart of everything that the CLIHC Group does is the genuine commitment to manage its businesses responsibly, by adhering to the highest ethical and professional standards for the people, the country, and the environment, and to give back to the communities where the Group operates.

CLIHC through its subsidiaries, recognizes its important role in helping build a sustainable nation. Our motivation is simple: a better world. We believe that every positive action, no matter how small, can lead to a big improvement for the planet and its people.

Our directive is to be one with the country and the global community in promoting and realizing global sustainable development goals through transformation of our people and processes.

Reducing our Carbon Footprint

We are committed to maintaining our position as a leader in the industry and we understand our great responsibility to the environment and our stakeholders. Thus, we have entered into strategic partnerships with leading Japan-based shipbuilders, namely Kegoya Dock Co., Ltd. and Fukuoka Shipbuilding Co., Ltd., and ship owner Kumiai Senpaku Co., Ltd. for the construction of brand-new vessels. Through this, we have strengthened our extensive fleet modernization program, introducing brand new and high-efficiency vessels specially made for the Philippine waters.

CLIHC has also taken steps to reduce the environmental footprint of its operations from services to transactions, such as reducing the volume of generated waste and increasing the percentage of recycled waste. It consciously observes more efficient operations and employs technologies which allow faster turnaround times and increased port capacity; and better designed engines and systems.

CLIHC has adopted 'green purchasing' as part of its Environmental Management system to purchase goods and services that cause less harm to environment.

CLIHC also prioritizes safety in its operations. The Philippine Maritime Industry Authority (MARINA) has issued the Document of Compliance (DOC) to Chelsea Ship Management & Marine Services Corp., CD Ship Management and Marine Services Corp., Starlite Ferries, Inc., and The Supercat Fast Ferry

Corporation – evidence that their Safety Management System and Company Processes (Safety Operation and Pollution Prevention) are compliant with the requirements of International Safety Management Code (ISM Code).

Further, the Chelsea Group partnered with the City Environment and Natural Resources Office – Department of Environment and Natural Resources (CENRO-DENR) and other local government units to advocate reforestation in the areas where it operates.

To complement its key environmental initiatives, the Chelsea Group also encourages all its employees to segregate office waste, to monitor their paper usage, and to think of ways of reducing their environment impact in all areas of business and personal life.

Investing in Our People

What sets us apart is our people. CLIHC ensures that all operational personnel are competent and skilled in safe procedures and are aware of potential hazards and how to avoid them.

Logistics is a highly technical and professional industry that requires a great deal of skill and knowledge. Thus, we believe that the impact of training and education is greater than ever before. In order to enhance the individual competence and skills of our workforce, CLIHC continuously provides Company trainings, certifications and seminars even beyond the standard requirements.

Moving forward, as the people element will be increasingly important as the industry moves toward higher standards of safety and sustainability, the Chelsea Group seeks to continuously do its part in investing in its workforce to achieve its vision and help realize sustainable development goals.

Giving Back to Society

Guided by its corporate values of “*Malasakit*” and Teamwork, Chelsea Logistics continued its implementation of programs in line with the United Nation’s Sustainable Development Goals (SDG). These programs are part of Chelsea Logistics’ aim to continuously support individuals, families, and communities especially in areas where it operates.

SUSTAINABLE DEVELOPMENT GOAL (SDG) 3 – GOOD HEALTH AND WELL-BEING

Establishing A Strong Foundation

Chelsea Logistics ensures that employee well-being aligns with the UN Sustainable Development Goal 3: Good Health and Well-Being, which seeks to ensure healthy lives and promote well-being for all across all ages. In 2023, the Group adopted employee engagement strategies designed to empower employees to be happy, healthy and engaged.

Worklink Services, Inc., our logistics and distribution arm, conducted regular Zumba sessions and a 3-minute daily exercise to promote not only physical fitness but also social interaction and camaraderie among team members.

Chelsea Logistics, in partnership with Hi-Precision Diagnostics and Intellicare, conducted an in-house Annual Physical Exam for its employees to identify potential health concerns at an early stage and offer preventive care suggestions. This activity is designed to bolster workplace productivity and foster a culture of overall wellness.

To maximize the benefits provided by Government institutions, Chelsea Logistics HR Team invited representatives from PhilHealth, Social Security System, and Pag-IBIG to conduct a comprehensive and informative orientation. This initiative aims to educate members and employers about their entitlements, obligations, and the various health insurance options accessible to them.

SDG 5 – GENDER EQUALITY

ChelSHE: Empowering Voices Across Tides

“A woman with a voice is, by definition, a strong woman.” Chelsea Logistics fortified its women empowerment campaign, ‘ChelSHE’, by featuring sea-based and land-based women employees not only during the women’s month in March but throughout the entire year 2023. In the powerful ChelSHE videos, women shared their journeys—from overcoming stereotypes and breaking barriers to thriving in male-dominated spaces. Their voices echoed across the waves, reaching shores far beyond the Company’s fleet. They shattered the notion that the sea was a man’s domain, proving that strength knows no gender.

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Engaging Chelsea Connectors through Lifelong Learning

The Chelsea Classroom, a dynamic knowledge sharing program within the Chelsea Group, launched into full swing in 2023. A total of 20 Chelsea Connectors rose to the occasion, embracing the challenge of becoming in-house trainers and facilitators. Their expertise spanned a diverse array of subjects, including workplace productivity, data privacy, technology, health, and safety. Together, they ignited a culture of continuous learning, fostering growth and excellence across the organization.

In May 2023, Quality, Health, Safety, and Environment Head, Capt. Edgardo Lutao, conducted a two-day seminar on Basic Occupational Safety and Health (BOSH) attended by 37 employees. The BOSH module, which is a training mandated by DOLE, equips individuals with the ability to recognize hazards, assess them, and rectify them. Conducting BOSH training in the workplace minimizes the likelihood of accidents and injuries, enhances employee morale, boosts productivity, and decreases expenses related to accidents.

On the technology side, Chelsea Logistics IT Team led a training workshop on low-code programming entitled: "Idea Mo, i-Code Mo!" A total of 11 non-IT team members from different Departments including Legal and Corporate Affairs, Strategic Communications and Branding, Procurement, Accounting, Treasury, Human Resources, and Administration, were taught to become citizen developers. This training program equips participants with the necessary skills to design and develop websites or mobile applications using Outsystems. To assess the effectiveness of the training, participants were tasked to create digital solutions tailored to enhance the efficiency and productivity of their respective departments.

In a strategic collaboration with Google, Chelsea Logistics has formed a dedicated team of Google Workspace Champions. These 11 Chelsea Connectors, carefully selected from diverse departments, will undergo rigorous training to master the intricacies of Google Workspace. Their mission is to empower colleagues across the organization by optimizing the suite’s tools and resources. The inaugural sessions, held in July and August, drew an enthusiastic audience of approximately 70 participants from across the Chelsea Group.

In September 2023, Chelsea Logistics HR Manager Sherlyn Guerzon conducted a seminar on the Safe Space Act in order to foster a secure and harmonious atmosphere for all employees. This legislation addresses all instances of gender-based sexual harassment (GBSH) occurring in public spaces,

educational or training institutions, workplaces, and online platforms. A total of 34 Chelsea Connectors attended the hybrid seminar.

Before the year ended, Chelsea Logistics' Internal Audit Manager, Katherine Agbay, led a crucial seminar on Data Privacy. In an era where data is as precious as gold, it becomes imperative for employees to wield heightened vigilance in their daily handling of sensitive information. With unwavering commitment, 150 Chelsea Connectors actively participated in this virtual seminar, fortifying their knowledge and ensuring the safeguarding of critical data.

SDG 9 - INDUSTRY INNOVATION AND INFRASTRUCTURE

Exemplifying Excellence and Enterprise: Onboard and Beyond

In September 2023, Starlite Ferries actively participated in the OneKlik Travel Sale Expo, hosted at the SM Mega Trade Hall. The Company's efforts were rewarded with both the Early Bird Exhibitors Award and the Most Facebook Trending Booth Award. This prestigious event served as an exceptional platform for Starlite Ferries to spotlight the finest offerings of the Philippines to an international audience.

Moreover, the flagship vessel of Trans-Asia, MV Trans-Asia 21 (TA21), received the highest accolade for its exceptional dedication to cleanliness in Category 3 (travel time exceeding 8 hours) during the National Maritime Week 2023 in September 2023 at the social hall of the Cebu Port Authority. MV Trans-Asia 21 underwent a thorough evaluation conducted by a dedicated and experienced inspection team comprised of professionals from MARINA, the Bureau of Quarantine, Cebu Port Authority, and other diligent maritime oversight authorities. By attaining the top position as the most environmentally-friendly vessel, Trans-Asia is not only setting higher benchmarks for ecological criteria but also motivating others in the industry to emulate its best practices on board.

As we charted our course toward becoming a more customer-centric organization, we accelerated our recovery by leveraging technology and fostering a culture of innovation across all employee levels. In a strategic alliance with Amazon Web Services, we have fully embraced cloud technology, making our operations 100% cloud-based. This transition not only enhances our efficiency but also aligns with our commitment to SDG 9.

From April 2020 to December 2023, our Cloud adoption has yielded remarkable results. We have saved 3.264 metric tons of carbon dioxide, equivalent to the greenhouse gas emissions produced by an average gasoline-powered car driven over 8,079,208 miles or equivalent to carbon sequestered by 54 tree seedlings grown for 10 years. By sailing the digital seas, we contribute not only to our own success but also to a more sustainable and resilient world.

SDG 14 - LIFE BELOW WATER AND SDG 15 – LIFE ON LAND

Enriching Biodiversity and Ecosystems

As highlighted by the Department of Environment and Natural Resources (DENR), tree planting activities hold immense potential for positive impact such as enhancing air quality, mitigating soil erosion, and creating wildlife habitats.

A total of 2,300 trees were planted by the Chelsea Group in 2023. With the participation of 21 employee volunteers, Trans-Asia Shipping Lines in Cebu collaborated with the City of Agriculture Office and Barangay Jagobiao Association in June and successfully planted 300 mangrove trees in Barangay

Jagobiao, Mandaue City. Mangroves possess dense root systems that serve as effective natural barriers, providing crucial protection to coastlines against erosion, storm surges, and severe weather occurrences.

On 14 October 2023, Chelsea Shipping Corp., Starlite Ferries, TASLI Services, Inc., and Worklink Services planted 2,000 trees in the coastal area of Barangay Wawa, Oriental Mindoro.

SDG 17 – PARTNERSHIPS FOR THE GOALS

Exemplifying the Spirit of Compassion and Partnership

In June 2023, the intrepid Chelsea Connectors achieved a remarkable feat: conquering not only the highest mountain in Luzon, Mt. Pulag Sacred Grounds, but also the hearts of children at Ambangeg Elementary School and Babadak Ranger Station.

A generous gesture was extended to 150 children, who were bestowed with a thoughtful gift comprising of a lunch box, raincoat, and tumbler. Meanwhile, the dedicated teachers were graciously provided with umbrellas, courtesy of the Udenna Foundation.

But the impact did not stop there. As part of Worklink’s anniversary celebration, employee volunteers stepped up, donating 30 bags of blood to the Philippine Red Cross. This yearly act of kindness has several significant benefits - saving up to three lives for each bag of donated blood, emergency preparedness for medical facilities, and reducing the donors’ risk of certain diseases with the production of new blood cells.

In this harmonious blend of adventure and kindness, Chelsea Connectors exemplified the spirit of compassion and partnership. Their actions resonated far beyond mountain peaks, leaving a legacy of positive change.

At Chelsea Logistics, our sustainable initiatives act as a powerful catalyst. They not only enhance our team synergy but also underscore our unwavering commitment to environmental, social, and economic responsibility. As we stride forward, our vision expands beyond mere milestones; we aspire to set audacious goals. By actively connecting with and contributing to our communities, we aim to ignite positive change. And as we champion innovation and inclusion, we recognize the crucial role Chelsea Logistics plays in shaping a more equitable and sustainable world. Together, we pave a path to a brighter future in which purpose and profit can coexist peacefully.

Item 9. Principal Competitive Strengths of the Company

CLIHC believes that it benefits from the following competitive strengths:

- a. Most number of diversified vessels that suits customer needs
- b. Expanded shipping routes
- c. Integrated website and Mobile App for booking convenience

Philippines shipping industry market leader by tanker capacity.

Based on the most recent MARINA information, CLIHC has the largest tanker fleet by tonnage amongst the five (5) major tanker players in the industry with a total GRT of 60,124.99.

Superior fleet quality and capacity complemented by nationwide maritime facilities and systems.

The majority of Company’s Vessels are registered under the IACS Classification Society which include Nippon Kaiji Kyokai (NKK), Lloyds Register (LR), Bureau Veritas (BV), American Bureau of Shipping

(ABS), and Korean Register of Shipping (KRS). These recognized International Association of Classification Societies (or the 'IACS') are focused on the implementation of IMO rules and regulations starting from the constructions of a vessel (new buildings); periodical surveys during the drydocking; conversions; and life extension of vessels. Having its vessels classed with these IACS, gives the Company the advantage when applying for a Certificate of Public Convenience (CPC) from the Maritime Industry Authority (MARINA). Other Company's vessels trading domestically are also surveyed /evaluated by Local Classification Societies such as Orient Register of Shipping (ORS), Ocean Register of Shipping, Filipino Vessels Classification System Association, Inc. (FVCSA) and the Philippine Register of Shipping (PRS). Furthermore, all of these Classifications Societies distinguishes the Company's Fleet as meeting operational and safety standards. Normally, customers prefer to deal with companies that have Classed vessels. The Company has an established preventive maintenance system and drydocking program for its vessel fleet to minimize the downtimes related to machinery breakdowns, engine overhauls and other types of repairs. During drydocking, routine engine evaluation, deck repainting, and hull cleaning are performed on the vessels. The Company endeavors to pass the strict evaluation of Classification Societies and of the MARINA and ensure satisfaction of its clients by aligning their requirements with vessel specifications.

Robust product offering

The Company's services provide robust and flexible end-to-end logistics solutions to our customers. From providing tanker services to tugboats assist; from regular cargo shipping to specialized delivery services, and up to warehousing. Catering to the retail market, our passage business has various routes options for travel nationwide. Our solid product line-up gives our customers the convenience and reliability most needed in transporting goods and passengers.

Seasoned Management Team of industry experts.

Collectively, the Management Team of the Company includes the most experienced maritime professionals in the Philippine tanker, RoRo passenger and cargo industries. All of the Company's captains are duly licensed by MARINA. Apart from their experience with the Company, most of the senior officers have had professional experience with other maritime companies, domestic and international, in various capacities. The Company's senior and middle management regularly attend extensive professional and technical trainings to further upgrade skills and keep abreast of latest developments in the industry. This depth and breadth of experience shared by the senior Management merits the Company an advantage in its pursuit of business opportunities and providing quality services.

Strong acquisition track record.

The Company is committed to delivering unrivalled shipping and logistics services and continuously pursues acquisition plans that are aligned with its vision of being the people's choice as the finest shipping and logistics Company.

The Company reported the following key strategic acquisitions:

- a. Acquisition of Trans-Asia Shipping Lines, Incorporated – December 2016
- b. Acquisition of Davao Gulf Marine Services Inc. – December 2016
- c. Substantial shareholdings in 2Go Group, Inc. – March 2017*
- d. Acquisition of Worklink Services, Inc. – November 2017
- e. Acquisition of Starlite Ferries, Inc. – November 2017
- f. Acquisition of Starlite Gallant Ferries, Inc. – August 2018

- g. Acquisition of Starlite Premiere Ferries, Inc. – October 2018
- h. Acquisition of The Supercat Fast Ferry Corporation – October 2019
- i. Acquisition of 30% stake in Oro Port – August 2021**

*sold in March 2021

**sold in November 2023

Item 10. Key Strategies and Objectives

CLIHC believes that the successful implementation of the following strategies will support its continued growth and profitability as it will increase the Company's market share and help it become the clear leader in the Philippine shipping and logistics industry.

Re-fleeting and continuous upgrade of vessels

The Company plans to acquire new and optimal-sized tankers and RoPax vessels configured to the preference of cargo owners and passengers, respectively, to improve efficiency and profitability.

Expansion into new routes

The Company capitalizes on first-mover advantage by expanding into areas in the Philippines which show superior growth. CLIHC constantly monitors the activity of various ports in the country, including key performance indicators such as ship calls and throughput. The Company also takes into consideration the expansion initiatives of each port and region to determine potential business opportunities. This monitoring process is integrated into the strategic deployment of its fleet.

In February 2023, SFI launched its newest route in the Province of Romblon via San Agustin. This newest route aims to serve and provide connectivity to the islands of Tables, Romblon and Sibuyan. The weekly schedule of Tuesday and Thursday trips from Batangas to San Agustin, and Wednesday and Friday trips from San Agustin to Batangas, ensure fast and reliable ferry transfer for passengers, and improved trade efficiency with direct routes. Also, in February 2023, SFI launched its Cebu-Dapitan-Cebu route, which offers a more direct and efficient connection between these 2 important economic centers. The maritime connectivity between Cebu and Dapitan also stimulated the tourism industry between these 2 tourist destinations. SFI serves the Cebu-Dapitan route every Monday, Thursday, Friday, and Saturday, while Dapitan to Cebu is every Tuesday, Friday, Saturday and Sunday.

Development of facilities to support the Group's core business

CLIHC is looking for opportunities to acquire (i) ports, (ii) port equipment and facilities, (iii) machineries, and (iv) shipyard, which would benefit the Company through reduction in costs of operations and enabling the Group to schedule the availability of the vessels after the regular maintenance period on a more reliable basis.

Similarly, the Company is developing support facilities for its core business, which facilities can be stand-alone businesses, separate from the core business, to wit:

- a. Skills training and education facility;
- b. Repair and maintenance and spare parts facility;
- c. Safety and security facility;
- d. Fuel, lubricants and laboratory facility; and
- e. Culinary and catering facility.

Expand regional operations

The medium-range tanker M/T Chelsea Providence has been operating under time charter since November 2018 in the United Arab Emirates, and this has been extended for another year. M/T Great Princess is operating in the Southeast Asia region under bareboat charter arrangement for a period of 5 years until April 2027.

In September 2022, M/T Maria formerly MT Chelsea Denise II commenced its bareboat charter in the region with the same company operating M/T Chelsea Providence and M/T Chelsea Dominance. M/T Chelsea Cherylyn departed from the Philippines in February 2023 to commence its bareboat charter agreement in the United Arab Emirates.

Item 11. 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.

- *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.

Item 12. Transactions with Related Parties

In the ordinary course of its business, CLIHC and its subsidiaries engage 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 include but not be limited to the following:

- Chartering services
- Fuel purchases
- Rentals
- Advances to/from related parties for working capital purposes

II. 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, 2023.

Name of Vessel	Registered Owner	Year Built	Type
1. M/T Chelsea Providence	CSC	2013	Medium Range Oil /Chemical Tanker
2. M/T Chelsea Cherylyn	CSC	2009	White Oil, Carrier, Tanker
3. M/T Chelsea Denise***	CSC	1985	Black / White Oil Carrier, Tanker
4. M/T Chelsea Resolute*	CSC	1979	White Oil, Carrier, Tanker
5. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker
6. M/T Chelsea Excellence	CSC	1998	White Oil/ Methanol Carrier
7. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker
8. M/T Maria	PNX – CSC	2012	Black / White Oil Carrier, Tanker
9. M/T Global Dominance	PNX – CSC	2016	Product Oil Tanker
10. M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker
11. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker
12. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker
13. MV St. Nicholas of Myra*	PNX – CSC	1998	General Cargo
14. M/T Ernesto Uno*	MI	1979	White Oil, Chemical Tanker
15. M/T Jasaan*	MI	1990	Black Oil Carrier, Tanker
16. M/T BMI Patricia**	BMI	1981	Black Oil Carrier, Tanker - Conversion
17. MV Trans Asia 1****	Trans Asia	1980	Passenger Ship
18. MV Trans Asia 2	Trans Asia	1977	Passenger Ship
19. MV Trans Asia 3	Trans Asia	1989	Passenger Ship
20. MV Trans Asia 8	Oceanstar	1984	Passenger Ship
21. MV Trans Asia 10	Trans Asia	1979	Passenger Ship

Name of Vessel	Registered Owner	Year Built	Type
22. MV Asia Philippines*	Trans Asia	1975	Passenger Ship
23. MV Trans-Asia 18	Trans-Asia	1998	Passenger Ship
24. MV Trans-Asia 19	Trans-Asia	2018	Passenger Ship
25. MV Trans-Asia 21	Trans-Asia	2021	Passenger Ship
26. MV Trans Asia 12	Trans Asia	1998	Container Cargo Ship
27. MV Trans Asia 15	Trans Asia	1995	Container Cargo Ship
28. MV Trans-Asia 16*	Trans-Asia	1996	Container Cargo Ship
29. MV Trans-Asia 17*	Trans-Asia	1999	Container Cargo Ship
30. MV Asia Pacific	Trans Asia	1981	General Cargo Ship
31. M/Tugs Fortis I*	FTC	1994	Tugboat
32. M/Tugs Fortis II	FTC	1990	Tugboat
33. M/Tug Fortis III	FTC	1972	Tugboat
34. M/Tug Fortis V	FTC	1984	Tugboat
35. M/Tug Fortis VI	FTC	1989	Tugboat
36. M/Tug Fortis VII	FTC	1984	Tugboat
37. M/Tug Fortis VIII	FTC	1984	Tugboat
38. M/Tug Fortis IX*	FTC	2009	Tugboat
39. M/Tug Fortis X	FTC	1988	Tugboat
40. M/Tug Fortis XI*	FTC	1988	Contingency Assist Vessel
41. M/Tug Fortis XII	FTC	1988	Tugboat / Contingency Vessel
42. M/Tug Fortis XV	FTC	1987	Tugboat
43. M/Tug Samal	DGMS	1974	Tugboat
44. M/Tug Pindasan	DGMS	1981	Tugboat
45. M/Tug Sigaboy	DGMS	1971	Tugboat
46. M/Tug Orishima****	FTC	1988	Oil Pollution Collection Tugboat
47. M/Tug DavTug XI****	DGMS		Tugboat
48. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship
49. MV Starlite Annapolis*	SFI	1982	Passenger and Cargo Ship
50. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship
51. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship
52. MV Starlite Tamaraw	SFI	1981	Cargo Ship
53. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship
54. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship
55. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship
56. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship
57. MV Starlite Venus	SFI	2021	Passenger and Cargo Ship
58. Sprint 1	SFI	2019	Fastcraft
59. SWM Salve Regina	SGFI	2018	Passenger and Cargo Ship
60. MV Stella Maris	SGFI	2019	Passenger and Cargo Ship
61. MV Trans Asia 20 (TBN Starlite Phoenix)	SGFI	2019	Passenger and Cargo Ship
62. SWM Stella del Mar	SPFI	2018	Passenger and Cargo Ship

Name of Vessel	Registered Owner	Year Built	Type
63. St. Uriel	Supercat	1992	Passenger Ship
64. St. Sealthiel	Supercat	2000	Passenger Ship
65. St. Jhudiel	Supercat	1996	Passenger Ship
66. St. Braquel	Supercat	1996	Passenger Ship
67. St. Emmanuel	Supercat	1998	Passenger Ship
68. St. Camael	Supercat	2017	Passenger Ship
69. St. Sariel	Supercat	2017	Passenger Ship
70. St. Micah*	Supercat	1990	Passenger Ship

* On Drydock as of end December 2023

** For conversion to Water barge

*** On Laid-up status

**** Awaiting insurance survey

Except as indicated above, as of the date of this Annual Report, 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:

Secured Term Loans

	Notes	Security	Terms	Interest Rates	Outstanding Balance	
					2023	2022 (As restated - see Note 2)
China Banking Corporation (CBC)		Real Estate Mortgage (REM), Continuing Suretyship, MT Chelsea Great Princess, MT Chelsea Charlize, MT Chelsea Resolute, MT Chelsea Enterprise, MT Chelsea Excellence, MT Chelsea Ernesto Uno, MT Chelsea Jasaan				
Development Bank of the Philippines (DBP)	(b.1)	Assignment of receivables	7 years	5.00%	P 1,926,396,728	P 1,926,396,728
Philippine Business Bank (PBB)	(f.4)	MT Chelsea Providence, MT Chelsea Cherylyn, MV Starlite Stella Maris, Corporate/Continuing Suretyship	15 years	5.00%	1,818,060,107	1,820,060,107
CBC	(c.2)	MV Eagle, MV Archer, MV Saturn	8 years	3.00% - 7.00%	823,893,366	855,856,717
Amalgamated Investment Bancorporation (AIB)	(b.3)	REM	15 years	7.25%	800,000,000	800,000,000
DBP	(i)	Unsecured	9 years	6.48%	576,851,371	-
PBB	(f.3)	Trans - Asia 16, 17 and 18				
DBP	(c.4)	Corporate/Continuing Suretyship	15 years	5.00%	549,807,588	549,807,588
PBB	(f.1)	MV Salve Regina	8 years	3.00% - 7.00%	467,888,754	491,555,017
DBP	(c.1)	Corporate/Continuing Suretyship				
PBB	(c.1)	MV Pioneer, MV Reliance	15 years	5.00%	450,514,006	450,514,006
Asia United Bank (AUB)	(d.2)	MT Chelsea Dominance MT Chelsea Endurance	8 years	3.00% - 7.00%	442,696,689	442,696,689
DBP	(f.2)	MTug Fortis I, MTug Fortis II MTug Fortis III, MTug Fortis V MTug Fortis VI, MTug Fortis VII MTug Fortis IX, MTug Fortis X Corporate/Continuing Suretyship	6 years	4.00%	425,000,000	-
BDO Unibank, Inc. (BDO)	(a)	MV St. Nicholas of Myra Assignment of receivables Trans - Asia 1, 8, 9 and 10, CV3 REM, Continuing suretyship	15 years 6 years	5.00% 6.50%	415,100,000 383,548,077	496,802,412 386,207,130
PBB	(c.3)	MV Stella Del Mar	8 years	3.00% - 7.00%	314,848,713	331,727,800
DBP	(f.5)	Corporate/Continuing Suretyship MV St. Camael and MV St. Saniel	15 years	5.00%	300,086,565	300,086,565
Mega International Commercial Bank Co. (MICBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Robinsons Bank Corporation (RBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
CTBC Bank (Philis) Inc. (CTBC)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	247,500,000	247,500,000
Union Bank of the Philippines (UB)	(j)	Continuing Suretyship	9 years	3.00%	198,000,000	-
First Commercial Bank, Ltd. (FCB)	(e)	Pledge of shares, Continuing Suretyship	5 years	6.37%	165,000,000	165,000,000
CBC	(b.2)	Trans - Asia 2, 3, 5, 12 and 15	10 years	5.75%	161,393,098	162,407,407
Rizal Commercial Banking Corp.	(g)	Starlite Sprint I	7 years	9.50%	105,074,977	105,074,977
PBB	(c.5)	Pledge of shares of stocks	8 years	11.00%	52,788,650	137,494,000
AUB	(d.1)	MTug Fortis IX, MTug Fortis X, Assignment of receivables	7 years	8.02%	23,049,963	30,190,922
AUB	(d.1)	MTug Fortis VI, MTug Fortis VII MTug Fortis VIII, Assignment of receivables	7 years	8.11%	20,845,468	31,269,933
AUB	(d.1)	MTug Fortis III and MTug Fortis V, Assignment of receivables	7 years	5.56%	7,613,562	18,083,329
Makabayan Holdings, Inc. (MHI)	(k)	Oroport Shares	6 months	5 to 15%	-	335,288,970
SH Capital Asia Growth Fund	(h)	Unsecured	5 years	9.00%	-	105,225,000
Net premium (discount) on loans payable					11,170,957,683 (175,743,178)	10,684,245,297 (66,005,034)
					P 10,995,214,505	P 10,618,240,263

Secured Bank Loans

	Security	Terms	Interest Rates	Outstanding Balance	
				2023	2022
Landbank of the Philippines	MT Chelsea Intrepid MT BMI Patricia Assignment of receivables				
Primary Institutional Lenders	Continuing suretyship	90 days	3.00 - 6.75%	P 1,327,834,768	P 1,336,460,600
CBC	MV TAZI and Pledge of shares	30 to 180 days	1.00 to 10.00%	608,109,693	1,422,956,791
	Trans-Asia 2, Trans-Asia 3, Trans-Asia 5, Trans-Asia 12, Trans-Asia 15	60 days	5.75%	500,000,000	500,000,000
PBB	Unsecured	180 days	7.50%	485,000,000	665,000,000
Pentacapital	Assignment of receivables	360 days	7.00%	209,678,517	210,970,653
UB	Continuing suretyship	360 days	4.50%	-	198,000,000
				P 3,130,622,977	P 4,333,388,044

III. 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:

a. Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City; (b) 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 ₱2,050,000 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 ₱15,921,666.67. 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.

Michael, Inc. filed its Formal Offer of Exhibits on March 16, 2000. PKI presented its VP for Finance and Administration on December 14, 2022. Pursuant to the Order dated June 19, 2023, Michael, Inc. filed its Memorandum in a draft Decision format. The case is now submitted for decision of the court.

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 ₱11,613,082.78, 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 ₱100,000 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 ₱380,000,000.00. 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 ₱801,000.00 for 4 deaths and ₱585,000.00 for 13 survivors or a total of ₱1,386,000.00. 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 ₱8,865,399.96 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 ₱8,839,313.95 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 ₱594,250.00. 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 ₱170,775.00 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 ₱200,000.00. To date, no Compromise Agreement has been reached yet with the last remaining Complainant.

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 ₱75,000.00 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 ₱1,050,000 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.

On March 9, 2022, Trans-Asia received the Decision of the Court of Appeals affirming the Decision of the Regional Trial Court (RTC) Branch 23, Cebu City. On March 24, 2022, Trans-Asia filed a Motion for Reconsideration, and on December 7, 2022, it received the Resolution of the Court of Appeals denying its Motion for Reconsideration. On December 19, 2022, Trans-Asia filed with the Supreme Court a

Motion for Single Extension to file a Petition for Review on Certiorari under Rule 45 of the Rules of Court. On January 20, 2023, Trans-Asia filed with the Supreme Court a Verified Petition for Review on Certiorari. While the case is pending in the Supreme Court, Trans-Asia informed the Complainant that Trans-Asia is willing to settle based on the judgment of the lower court in the amount of PhP1,050,000. However, the Complainant who expected a higher computation, opted to wait for the decision of the Supreme Court. On November 20, 2023, the Supreme Court denied Trans-Asia's Petition for Review on Certiorari and sustained the award of the lower court in the amount of PhP1,050,000, which Trans-Asia will pay.

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 ₱120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of ₱50,000,000. 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. The Regional Trial Court (Branch XI) of Cebu City, issued an Order on 14 July 2022 suspending the proceedings until the Stay Order is lifted or the case before the Insurance Commission is terminated.

PART II – MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

I. 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 2023 are as follows:

	2023		2022		2021		2020		2019		2018	
Period	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1Q	1.17	1.13	1.61	1.56	3.28	3.17	5.89	1.91	7.2	5.59	9.79	7.00
2Q	1.05	1.03	1.39	1.32	3.14	3.08	4.29	2.49	8.74	5.08	8.56	6.45
3Q	1.26	1.23	1.36	1.25	2.22	2.13	4.65	4.01	9.36	6.22	7.76	5.43
4Q	1.50	1.46	1.2	1.15	1.67	1.6	5.39	5.1	7.18	4.73	9.77	4.4

As of August 5, 2024, the market capitalization of the Company, based on the closing price of ₱0.89 per share, was approximately ₱2.957 Billion.

II. Holders

The following are the top registered holders of the Company's securities based on the records as of December 31, 2023:

Name of Stockholders	Number of shares held	% to Total
Udenna Corporation	1,275,384,606	67.134

PCD Nominee Corporation (Filipino)	528,315,567	27.809
Metropolitan Bank & Trust Company Trust Banking Group	68,636,000	3.613
PCD Nominee Corporation (Non-Filipino)	15,877,325	0.836
Metropolitan Bank & Trust Company Trust Banking Group	5,296,000	0.279
Name of Stockholders	Number of shares held	% to Total
Members of Board of Trustees of the Private Education	3,859,000	0.203
Caroline G. Taojo	800,000	0.042
Eggnest Property Corp.	770,000	0.041
Noe B. Taojo	400,000	0.021
Joaquin Chua	100,000	0.005
Elvira M. Cruz or Bernardo A. Cruz	100,000	0.005
Clive C. Kian	50,000	0.003
Rudy B. Manguiat or Mary Aileen C. Manguiat	50,000	0.003
Goldclass, Inc.	35,000	0.002
Jharna P. Chandnani	30,000	0.002
Christopher Vincent J. Kokseng or Mery Jean G. Kokseng	15,000	0.001
Myra P. Villanueva	10,800	0.001
Carlos Catangue Chua	9,300	0.001
Rijohn R. Opon	9,300	0.001
Milagros P. Villanueva	7,300	0.000
Myrna P. Villanueva	7,300	0.000
Marietta V. Cabreza	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	1,899,768,615	100.000%

III. 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 since 2018.

IV. Submission of Matters to a Vote of Security Holders

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

At the May 9, 2023 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 2022 Audited Financial Statements and Annual Report; approval of the Minutes of the May 3, 2022 Annual Stockholders' Meeting; ratification of all acts of the Board of Directors, Board Committees and Management for the period covering 9 February 2022 to 20 February 2023; approval of the amendment of the By-Laws of the Corporation, specifically Article II, Section 1 – change in the date of the Annual Stockholders' Meeting and Article IV, Section 7 – creation of the Office of the Chief Financial Officer and transfer of some of the functions of the Treasurer to the Chief Financial Officer; election of the members of the Board of Directors; and appointment of the External Auditor of the Company.

V. Recent Sale of Securities

On September 20, 2022, the Corporation executed a Subscription and Debt Conversion Agreement with The Members of the Board of Trustees of the Private Education Retirement Annuity Association (PERAA), and on September 5, 2023 the Corporation executed Subscription and Debt Conversion Agreements with Metropolitan Bank & Trust Company – Trust Banking Group (MBTC), as part of the Corporation's liability management exercise for restructuring of its outstanding loans and obligations. Pursuant to these Subscription Agreements, the total shares of the Corporation issued to PERAA was 3,859,000 while 73,932,000 shares of the Corporation were issued to MBTC. The shares were issued to MBTC on October 5, 2023 and to PERAA on October 12, 2023.

PART III – FINANCIAL INFORMATION

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

The Management's Discussion and Analysis of Financial Condition and Results of Operations for each of the Three Years in the Period Ended December 31, 2023, 2022 and 2021 are attached hereto as **Annex A**.

II. Information on Independent Accountant and Other Related Matters

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, 2023 and 2022 in accordance with the Philippine Standards on Auditing.

P&A has acted as CLIHC's external auditor since incorporation. Mary Grace A. Punay is the assigned audit partner for 2023. 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.

Isla Lipana & Co. will be recommended for appointment at the scheduled Annual Stockholders' Meeting. Representatives of P&A and Isla Lipana are expected to attend 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.

	2023	2022	2021	2020
Audit Fees	₱8,000,000	₱4,500,000	₱4,500,000	₱4,500,000

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.

III. Financial Statements

The Company's Statement of Management's Responsibility and Audited Financial Statements as of December 31, 2023 is in **Annex B**. Financial Statements are prepared in accordance with SRC Rule 68, as amended and Rule 68.1.

IV. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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.

PART IV – CONTROL AND COMPENSATION INFORMATION

I. Directors and Executive Officers of the Issuer

1. Board of Directors

The incumbent members of the Board of Directors of the Company are as follows:

Office/Position	Name	Age	Citizenship
Directors			
Chairman	Dennis A. Uy	50	Filipino
Director/President & CEO	Chryss Alfonsus V. Damuy	50	Filipino
Director/Treasurer	Cherylyn C. Uy	44	Filipino
Director	Arthur Kenneth L. Sy	56	Filipino
Director	Efren E. Uy	62	Filipino
Director	Eduardo A. Bangayan	72	Filipino
Independent Director	Miguel Rene A. Dominguez	47	Filipino
Independent Director	Jesus S. Guevara II	69	Filipino

Below is a summary of their qualifications:

Dennis A. Uy

Chairman

Dennis A. Uy, Filipino, 50 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 the Chairman and CEO of Udenna Corporation, the ultimate parent company of PPPI and CLIHC. He is also the Chairman of DITO CME Holdings Corp. (formerly ISM Communications Corporation), Udenna Land Inc., Le Penseur Inc., PH Resorts Group Holdings, Inc., and Udenna Management & Resources Corp. and its subsidiaries. Mr. Uy is also the Chairman of Phoenix Philippines Foundation and of 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, 50 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 President of Chelsea Shipping Corp. and its subsidiaries namely PNX-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, 44 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. She is also a Director of PH Resorts Group Holdings, Inc., an Executive Director of Phoenix Philippines Foundation, Inc. and President of the Udenna Foundation. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business and Finance.

Arthur Kenneth L. Sy

Director

Arthur Kenneth L. Sy, Filipino, 56 years old, has been a Director of CLIHC since March 27, 2017. He serves as Co-Chairman of Trans-Asia Shipping Lines, Incorporated, and currently the President and CEO of Sybu Real Estate Corporation and Director of Big Hub Transport & Logistics Corp., Dynamic Cuisine, Inc., Starsy Shoppe, Inc., Star Maritima Port and Allied Services, Inc., Oceanstar Shipping Corporation, and Quality Metal and Shipworks Inc. 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, 62 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, 72 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. 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 1993 and re-appointed in January 2023 with a term until 2028, and a member of the Philippine Association of Water Districts (PAWD) Board of Governors. He has served as a Director of the Rural Bank of Tagum from 2015 until present, as well as a member of the Board of Governors of the Philippine National Red Cross. He has a degree in Bachelor of Science in Business Administration from Silliman University and currently serves on the Board of Trustees representing the Alumni for a term up to July 31, 2027. He continues to serve as a pillar in the country's business sector by serving as Regional Director of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. in Southern Mindanao from 2017 to present.

Miguel Rene A. Dominguez

Independent Director

Miguel Rene A. Dominguez, Filipino, 47 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 Alsons Dev't & Investment Corp., and Trustee of Philippine Business for Social Progress, Philippine Business for Education and Synergeia Foundation, and President of the General Santos City Chamber of Commerce, and Chairman of the Eisenhower Fellowships Association of the Philippines. He served as Chairman of the Regional Peace and Order Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011), Chairman of Regional Development Council of Region 12 (2007-2010) and Vice Chairman of Galing Pook Foundation (2014-2016). 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 and a Master's Degree in Public Administration from Harvard University's Kennedy School.

Jesus S. Guevara II

Independent Director

Jesus S. Guevara II, Filipino, 69 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 is at present the Chairman of the Board of Phividec Industrial Authority. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master's Degree in Industrial Relations.

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.	Chairman and Chief Strategy Officer
	2Go Group, Inc.	Chairman of the Board
	PH Resorts Group Holdings, Inc.	Chairman of the Board
	Dito CME Holdings Corp.	Chairman of the Board
	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
	Dito CME Holdings Corp.	Director
Eduardo A. Bangayan	Manila Mining Corporation	Independent Director

1. Executive Officers

The incumbent Executive Officers of the Company are as follows:

Office/Position	Name	Age	Citizenship
President & CEO	Chryss Alfonsus V. Damuy	50	Filipino
Treasurer	Cherylyn C. Uy	44	Filipino
Chief Financial Officer	Ignacia S. Braga IV	58	Filipino
Deputy Financial Officer / Treasury Head	Reynaldo A. Phala	57	Filipino
AVP – Legal & Corporate Affairs / Corporate Secretary	Ma. Henedina V. San Juan	62	Filipino
Finance Controller	Darlene A. Binay	51	Filipino
Compliance Officer	Leandro E. Abarquez	40	Filipino
Chief Audit Executive	Maria Katherine A. Agbay	51	Filipino

Below is a summary of their business experience:

Ignacia S. Braga IV **Chief Financial Officer**

Filipino, 58 years old, is the Chief Financial Officer of CLIHC. She is also the Vice President for Finance of Udenna Corporation, 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.

Reynaldo A. Phala **Deputy Chief Financial Officer / Treasury Head**

Filipino, 57 years old, is the Vice President for Treasury and Deputy CFO. He joined the Company in April 2020 after spending 12 years with an affiliate company as AVP for Treasury. He led a progressive

banking career for 17 years, which he started at UCPB. He also worked with the Department of Trade and Industry as Municipal Trade and Industry Officer for a year. He graduated from Mindanao State University-General Santos City with the degree Bachelor of Science in Civil Engineering as a consistent academic scholar and passed the licensure examinations for Civil Engineers in May 1989. He obtained his MBA degree conferred by the Ateneo de Manila University and Regis University, Denver, Colorado, USA in 2013 and his Diploma in Corporate Finance in 2018 from the Ateneo Graduate School of Business. He also attended executive courses at Harvard Law School in 2019.

Ma. Henedina V. San Juan

Corporate Secretary and Assistant Vice President for Legal and Corporate Affairs

Filipino, 62 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.

Darlene A. Binay

Finance Controller

Filipino, 51 years old, is the Finance Controller of the Company. Prior to joining CLIHC, she was formerly the VP – Finance of Philippine Span Asia Carrier Corp. and AVP – Cluster Finance and Accounting of Magsaysay Shipping and Logistics Group (National Marine Corporation). She also served as Group Accounting Head of Roxas Holdings, Inc. and Subsidiaries. She was also an Assurance Senior Associate of Joaquin Cunanan & Co. (now Isla Lipana and Co), a Price Waterhouse Coppers member firm. She is a Certified Public Accountant and has a degree in B.S. Accountancy from St. Paul College Quezon City.

Leandro E. Abarquez

Compliance Officer

Filipino, 40 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, 51 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.

Period of Service in the Company

Name of Executive Officer	Period of Service
Ignacia S. Braga IV	Since incorporation to present
Reynaldo A. Phala	April 15, 2020 to present
Ma. Henedina V. San Juan	Since incorporation to present
Darlene A. Binay	January 4, 2021 to present

Name of Executive Officer	Period of Service
Leandro E. Abarquez	April 3, 2017 to present
Maria Katherine A. Agbay	December 5, 2017 to present

2. Family Relationships

There are no other 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 Co-Chairman) and Sheila Fay U. Sy (Trans-Asia Shipping General Manager - Interport)

3. 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 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 ₱800,003,070.51 in connection with the said purchase of shares; and, (b) LWUA's deposit and/or capital infusion of the ₱400,000,000.00 and deposit of ₱300,000,000.00 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. Banyagan 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.

2. *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 Annual Report 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 material legal cases as far as records of the Company are concerned.

II. Executive Compensation

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 are elected for a period of one (1) year. The Company pays its non-executive Directors a per diem of ₱30,000.00 for each meeting. There are no other arrangements for which the members of the Board of Directors are compensated.

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

Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2023			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV	President & CEO Treasurer Chief Financial Officer	20.01	0.29	7.33	27.63
All other officers as a group unnamed		16.45		2.58	19.77
Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2022			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV	President & CEO Treasurer Chief Financial Officer	15.92	0.18	6.66	22.75
All other officers as a group unnamed		15.99		2.34	18.34
Compensation of Executive Officer and Directors (in ₱ millions)					
Name	Principal Position	Salary	Bonus	Other	Total
		Actual Compensation For the Year Ended December 31, 2021			
Chryss Alfonsus V. Damuy Cherylyn C. Uy Ignacia S. Braga IV Raul L. Quisumbing	President & CEO Treasurer Chief Financial Officer Vice President – Marketing & Port Operations	25.07	0.18	6.90	32.14
All other officers as a group unnamed		19.19	0.2	3.8	23.19

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.
- 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 first approved by the Board of Directors on February 13, 2019 and by the Stockholders of the Corporation on March 15, 2019. An Amended ESOP was approved by the Board of Directors of the Corporation at its March 29, 2022 meeting, and by the Stockholders on May 3, 2022.

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 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 5 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.

In 2022, the Company amended the subscription price of the stock options to Php 3.99 and the exercise periods to the first five (5) trading days of September of every year.

As of December 31, 2023, 2022 and 2021, 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 been exercised as at December 31, 2023, 2022 and 2021.

The fair value of the option granted was estimated using binomial option pricing model that takes into account factors specific to the ESOP. The principal assumptions used in the valuation are shown below:

Grant date	:	May 15, 2019
Vesting period ends	:	May 15, 2024
Option life	:	Five years
Share price at grant date	:	P6.05
Amended exercise price	:	P3.99
Original exercise price at grant date	:	P6.28
Average fair value at grant date	:	P3.16
Average standard deviation of share price returns	:	51.28%
Average risk-free investment rates	:	6.14%

The underlying expected volatility was determined by reference to historical data of the Company's shares over a period of time consistent with the option life.

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

Options Held by Directors and Officers						
Name	Option Granted	2020	2021	2022	2023	2024
CEO and Most Highly Compensated Executive Officers	6,983,813	662,593	598,771	598,771	598,771	598,771
All other Officers of the Company	1,594,510	112,759	83,728	83,728	83,728	83,728

As of December 31, 2023, none of these options have been exercised.

The Employee Stock Option Plan, as amended, was submitted to the Securities and Exchange Commission for approval on December 27, 2022.

III. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Records and Beneficial Owners as of December 31, 2023

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	1,650,384,606	72.55%
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	528,315,567	27.80%

**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 528,315,567 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, 2023, there are no other stockholders other than participants under PCD account who own more than five percent (5%) of the voting securities. Of the increase in the authorized capital stock of the Corporation from Two Billion Pesos (₱2,000,000,000.00) to Three Billion Five Hundred Million Pesos (₱3,500,000,000.00), which was approved by the Securities and Exchange Commission on April 4, 2022, Udenna Corporation subscribed to 375,000,000 additional shares, which are not yet recorded in the books of the Corporation's Stock Transfer as the shares are not yet fully-paid.

As of December 31, 2023, 0.8373% or 15,907,325 Common Shares are owned by foreign stockholders.

2. Security ownership of Directors and Management as of December 31, 2023

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	215,501 770,234,496	.01% 33.86%
Common	Cherylyn C. Uy	Filipino	Direct Indirect	1 219,996,268	NIL 9.67%
Common	Chryss Alfonsus V. Damuy	Filipino	Direct	1,668,000	0.04%
Common	Eduardo A. Bangayan	Filipino	Direct	70,001	NIL
Common	Miguel Rene A. Dominguez	Filipino	Direct	1	NIL
Common	Jesus S. Guevara II	Filipino	Direct Indirect	1 100,000	NIL 0.01%
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	0.01%
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	Reynaldo A. Phala	Filipino	N/A	NIL	NIL
Common	Darlene A. Binay	Filipino	N/A	NIL	NIL
Common	Maria Katherine A. Agbay	Filipino	N/A	NIL	NIL
Common	Leandro E. Abarquez	Filipino	Direct	36,300	NIL
All Directors and Officers as a group				993,611,571	43.67%

As of December 31, 2023, Directors and Executive Officers of the Company owned an aggregate of 993,611,571 shares of the Company, equivalent to 43.67% of the Company's total issued and outstanding shares.

3. 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.

4. 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. Certain Relationships and Related Transaction

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, 2023 and 2022 and the related outstanding balances as of December 31, 2023 and 2022 is presented below.

Related Party Category	Notes	Amounts of Transactions				Outstanding Balances	
		2022		2021		2022	
		2023	As restated - see Note 2.1(b)	As restated - see Note 2.1(b)		2023	As restated - see Note 2.1(b)
Parent —							
Cash advances granted	19.4	P 4,338,633	(P 21,936,541)	P 6,554,331,342	P	7,117,460,312	P 7,113,121,679
Associate —							
Sale of Dito	10, 19.4	-	-	-		271,874,967	271,874,967
Related parties under common ownership:							
Chartering of services rendered	19.1	9,881,618	109,987,271	157,377,291		64,184,585	73,199,255
Fuel purchases	19.2	308,319,152	787,617,140	1,217,534,299	(	2,918,883,787	(2,762,971,463)
Acquisition of CSC's shares	19.6	-	-	-	(	500,000,000	(500,000,000)
Rental expense	19.3	1,025,325	1,504,479	1,817,124	(	3,420,866	(4,190,152)
Donation	19.9(b)	-	-	270,000	(	-	( 360,000)
Cash advances granted	19.4	-	17,291,343	245,528,345		86,032,238	86,058,666
Cash advances obtained	19.4	(25,490,390)	71,198,734	140,384,270	(	504,000,000	(529,490,390)
Right-of-use assets	9, 19.7	(16,656,541)	(12,492,405)	(12,492,405)		9,716,315	26,372,856
Lease liabilities	12.4, 19.7	17,220,905	12,708,552	7,293,655	(	8,956,841	(26,177,746)
Stockholders —							
Cash advances granted	19.4	2,661,432	-	-		150,885,270	148,223,838
Key management personnel —							
Compensation and benefits	21.8	43,978,811	42,670,026	55,335,632	-	-	-

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.

Charter Fees

The Group entered into chartering agreements with PPPI, a related party under common ownership, 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 under the Revenues section of the Consolidated Statements of Profit or Loss. The Related Outstanding Receivable as of December 31, 2023 and 2022 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, 2023 and 2022 based on Management's assessment.

Fuel Purchases

The Group purchases fuel and lubricants 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 P86.7 Million and P96.2 Million as of December 31, 2023 and 2022, respectively, are included as part of the Inventories account in the Consolidated Statements of Financial Position (see Note 6). The outstanding liabilities, 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, 2023 and 2022 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).

Rentals

The Group entered into a one-year contract of lease covering vehicles with Valueleases, Inc., a related party under common ownership, renewable at the end of the lease term upon mutual agreement of the parties. Related expense is presented as part of Rentals under Cost of Sales and Services in the Consolidated Statements of Profit or Loss (see Notes 14 and 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 Note 11).

Advances to and from Related Parties

In the normal course of business, the Group grants and obtains unsecured, non-interest-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, 2023 and 2022, 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 2023, 2022 and 2021 are as follows:

	Parent Company	Associate	Related Parties under common Ownership	Stockholders	Total
December 31, 2023					
Balance at beginning of year	P 7,113,121,679	P 271,874,967	P 86,058,666	P 148,223,838	P 7,619,279,150
Advances	4,338,633	-	-	-	4,338,633
Collections	-	-	(26,428)	2,661,432	2,635,004
Balance at end of year	<u>P 7,117,460,312</u>	<u>P 271,874,967</u>	<u>P 86,032,238</u>	<u>P 150,885,270</u>	<u>P 7,626,252,787</u>
December 31, 2022					
Balance at beginning of year	P 7,406,704,900	P 271,874,967	P 115,930,575	P -	P 7,794,510,442
Advances	-	-	-	148,223,838	148,223,838
Collections	(293,583,221)	-	(29,871,909)	-	(323,455,130)
Balance at end of year	<u>P 7,113,121,679</u>	<u>P 271,874,967</u>	<u>P 86,058,666</u>	<u>P 148,223,838</u>	<u>P 7,619,279,150</u>
December 31, 2021					
Balance at beginning of year	P 980,378,702	P 271,874,967	P 148,341,141	P -	P 1,400,594,810
Offsetting against sales proceeds	6,550,275,167	-	-	-	6,550,275,167
Collections	(123,948,969)	-	(32,410,566)	-	(156,359,535)
Balance at end of year	<u>P 7,406,704,900</u>	<u>P 271,874,967</u>	<u>P 115,930,575</u>	<u>P -</u>	<u>P 7,794,510,442</u>

Based on Management's assessment, no impairment loss is recognized in 2023, 2022 and 2021 related to the Advances granted to Related Parties (see Note 25.2).

The movement in the Advances from Related Parties account in 2023, 2022 and 2021 follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balance at beginning of year	P 529,490,390	P 624,023,838	P 587,784,015
Cash flow from financing activities:			
Repayments	(25,490,390)	(94,533,448)	-
Proceeds	-	-	36,239,823
Balance at end of year	<u>P 504,000,000</u>	<u>P 529,490,390</u>	<u>P 624,023,838</u>

In addition, the following table presents the outstanding balance of advances to officers and employees of the Company as of December 31, 2023 and 2022:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Advances to officers and employees	₱ 28,968,999	₱ 25,843,967

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

V. Ownership structure and parent company

As of December 31, 2023, Udenna Corporation owns 72.55% of the outstanding shares of the Company.

VI. Resignation of Directors

Since the organizational meeting of the Company on May 9, 2023, 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.

PART V – 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.

Compliance with Corporate Governance Manual

The Company strives to fully comply with its Corporate Governance Manual. To date, the Company's compliance is not measured by weight program nor by a grading system. The Company's compliance with its Corporate Governance Manual, however, is manually examined against the adopted written principles.

In August 2018, in pursuance of its commitment to adopt leading corporate governance practices, Company with the approval of its Board of Directors adopted four (4) Board Committee Charters, namely: (i) Board Risk Oversight Committee Charter, (ii) Corporate Governance Committee Charter, (iii) Audit Committee Charter; and (iv) Related Party Transactions Committee Charter.

Further, on the same year, the members of the Audit Committee were also changed to adopt the corporate governance recommendation that the Audit Committee be composed of at least three (3) Independent Directors, including the Chairman of the Committee.

Similarly, in October 2018, the re-designing and re-development of the Company's website was completed in order to conform to the mandatory website contents of the Philippine Securities and Exchange Commission and Philippine Stock Exchange (PSE). All Company disclosures made through the PSE Edge System are mirrored in the Company website. The Company charters, policies and manual for various activities and processes are also available on the Company website.

Corporate Governance Outlook

In 2019, in order to improve on the corporate governance practices of the Company, a Committee was created to formulate governance related policies, including the Code of Business Conduct and Ethics, Insider Trading Policy and Policy on Conflict of Interest.

In addition, the Company has rolled out its Amended Employee Stock Option Plan, as approved during the Annual Stockholders' Meeting held on May 3, 2022. This will form part of the Company's program in recognizing and rewarding the performance of its employees beyond short-term financial measures. The implementation of this program is currently in process.

The Company shall endeavor to adopt and implement more leading corporate governance practices in the future.

PART VI – EXHIBITS AND SCHEDULES

I. Exhibits and Reports on SEC Form 17-A

Annex A: Management’s Discussion & Analysis of Financial Condition and Results of Operations for the Year Ended December 31, 2023, 2022 and 2021

Annex B: Statement of Management’s Responsibility for Consolidated Financial Statements and Audited Consolidated Financial Statements

Annex C: Sustainability Report

II. Signatures

SUSTAINABILITY REPORT

Contextual Information

Company Details	
Name of Organization	Chelsea Logistics and Infrastructure Holdings Corp. (CLIHC)
Location of Headquarters	Stella Hizon Reyes Road, Bo. Pampanga, Davao City Philippines 8000
Location of Operations	Nationwide Operations
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation, TASLI Services Incorporated
Business Model, including Primary Activities, Brands, Products, and Services	Tankering, Cargo Shipping/Freight, Passenger Shipping, Tugboat Services and Logistics & Warehousing
Reporting Period	FY2023
Highest Ranking Person responsible for this report	Chryss Alfonsus V. Damuy President & CEO

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.¹⁴

The scope of this Sustainability Report extends to CLIHC's 6 main subsidiaries over which it has direct ownership control: Chelsea Shipping Corp., Trans-Asia Shipping Lines, Incorporated, Starlite Ferries, Inc., Worklink Services, Inc., The Supercat Fast Ferry Corporation and TASLI Services Incorporated. These 6 subsidiaries have material contributions and impact on the Group in terms of business operations and continuity.

Due to the Chelsea Group's broad operations in the shipping and logistics sectors which cater to various corporate and retail accounts, this Report limits the scope to the general and common issues to be able to provide a clear introduction to the Group's operations.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	7,048	₱ mn
Direct economic value distributed:		₱ mn
a. Operating costs	6,179	₱ mn
b. Employee wages and benefits	912	₱ mn
c. Payments to suppliers, other operating costs	Refer to a	₱ mn
d. Dividends given to stockholders and interest payments to loan providers	717*	₱ mn
e. Taxes given to government	96**	₱ mn
f. Investments to community (e.g. donations, CSR)	0.138	₱ mn

*Interest Payments for 2023

**Tax Expense for 2023

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>CLIHC's core businesses include Tankering, Freight, Passage, Tugboat services and Logistics Services.</p> <p>CLIHC takes pride in transporting passengers throughout the archipelago, as passage shipping remains the economically efficient way to move people in the country.</p> <p>CLIHC's tankering, cargo transport, logistics and tugboat services supports various businesses across the country. Shipping is the primary means of inter-island transport, especially for bulk goods.</p> <p>CLIHC's core businesses play vital roles in economic growth and development.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>The Management is focused on modernizing and right-sizing our vessel fleet, ramping up our logistics and warehousing capacity, and synergizing all our operations.</p> <p>CLIHC also aims to contribute to the improvement of the shipping industry by applying the best practices in ship management and in adhering to global standards.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<ul style="list-style-type: none"> Maritime vessels are susceptible to maritime accidents and mechanical breakdowns Changes in the regulatory environment Highly-competitive industry Business cycle risks <p>For more information, please see 17A, Item 2</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>Please see 17A, Item 2</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>The Philippines has a robust economic growth, increasing GDP per Capita, increasing OFW remittances and tourist arrivals, and evident growth in the e-commerce sector.</p>	<p>Shareholders Employees Government Customers Suppliers Various Communities</p>	<p>All of CLIHC's core businesses support its main economic growth thrust which in turn, would be valuable to all our stakeholders.</p>

Climate-related risks and opportunities

CLIHC and its main subsidiaries have focused on growing the core businesses in the last 7 years through various acquisitions and fleet modernization and right-sizing program. CLIHC acknowledges the need to identify and manage climate-related risks and take advantage of opportunities that come. While the Group is in the process of synergizing its operations, with climate-related risks and safety at the top of mind, hereunder is a snapshot of its accomplishment regarding this matter for 2020:

Governance	Strategy	Risk Management	Metric and Targets
Safety Management	Ensure satisfactory Quality Management	Regular internal audit of our processes	Achieved ISO 9001:2015 Certification in January 2020
Vessel Maintenance	Ensure quality control in the shipping environment	Planned investments in vessel maintenance	Compliance with pertinent domestic maritime (MARINA) regulations and applicable international conventions.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Amount	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	90	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Helps the local economy.	Shareholders Employees Government Customers Suppliers Various communities	CLIHC Procurement Department is focused on helping local markets by building networks with international companies with presence in the country. When these companies look for local suppliers for their operational requirements, CLIHC refers them to local suppliers.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>High Cost: Mark-up from several channels the products or services went through before the Company receives the same. Government fees should also be taken into account.</p> <p>Lead Time: Suppliers are dependent on Genuine Makers/ Dealers overseas' readiness to supply.</p> <p>After Sales. Many steps to be completed before getting feedback on warranty.</p> <p>Suppliers' Company Stability</p>	<p>Shareholders Employees</p> <p>Suppliers Procurement Officers Clients</p>	<p>CLIHC Procurement Department draws up plan for consolidated purchase prior to selection of credible suppliers, for restricted tendering.</p> <p>CLIHC Procurement Department administers bidding processes maintaining 3 quotes per request.</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Low production cost and fast production cycle Improvement of public relations Accurate budget forecasting	Order requestor Suppliers Procurement Officers Clients	CLIHG Procurement Department ensures strategic sourcing process with utmost transparency and accountability.

Anti-Corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Amount	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%	%
Percentage of directors and management that have received anti-corruption training	100%	%
Percentage of employees that have received anti-corruption training	100%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Incidents of Corruption

Disclosure	Amount	Units
Number of incidents in which directors were removed or disciplined for corruption	None	#
Number of incidents in which employees were dismissed or disciplined for corruption	None	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	N/A	GJ
Energy consumption (gasoline)	For TASLI, 9M; For CSC, est.20,000 liters.	Liters
Energy consumption (LPG)	2,050** (Tugboats/ lay up Tanker vessels)	Kg
Energy consumption (diesel)	For SFI, 20.7M; For CSC, ADO 106,000 (including laid-up vessels); IFO - 0	Liters
Energy consumption (electricity)	For TASLI RoPax, 110 Kwh For TASLI Freighters, 40kWH For SFI Ropax, 80kWH For CSC, 2 tankers with 3 gensets each with 150-200KW capacity. For CSC tugs, 15 tugs with 2 gensets working alternately with capacity of 70kw each	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	N/A	GJ
Energy reduction (LPG)	N/A	GJ
Energy reduction (diesel)	For CSC, est. 70,000 liters reduction – Time Charter vessels	Liters
Energy reduction (electricity)	N/A	kWh
Energy reduction (gasoline)	N/A	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The energy consumption is a major direct cost for the Group.	Shareholders Management Employees	We try to save our resources by implementing the following rules and procedures: Safe and Shortest route of Navigation Close monitoring day to day operation Control of daily Consumption Sounding of Tanks
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Fluctuating energy prices	Shareholders Management Employees	We do not keep inventories of oil and electricity as most of our operations are in the country.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Purchase of Diesel (our major direct cost) from a sister company—Phoenix Petroleum	Shareholders Management Employees	Purchase of diesel from a sister company would help the Company save on costs.

Water consumption within the organization:

Disclosure	Quantity	Units
Water withdrawal	Est 70,000	Cubic meters
Water consumption	For TASLI RoPax, 18MT/day; For TASLI Freighters, 6Mtons/ day; For SFI, 32Mtons/day; For CSC, 4.5 Mtons/day (Laid-up vessels with 4 crew)	Metric Tons
Water recycled and reused	N/A	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Materials used by the organization:

Disclosure	Quantity	Units
Materials used by weight or volume		
<ul style="list-style-type: none"> Renewable 	N/A	Kg/liters
<ul style="list-style-type: none"> Non-renewable 	<p>For TASLI, 9M liters of Diesel Oil and 8.3M liters of IFO for 25,178 nautical miles;</p> <p>For SFI, ADO est. 24M liters; IFO (n/a);</p> <p>For CSC, est 106,000 liters ADO, IFO – 0.0 Mtons</p>	Liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas shore areas?	N/A	
Habitats protected or restored our shore clean up and tree-planting activities ?	7,868	trees planted
IUCN ¹⁷ Red List species and national conservation list species with habitats in areas affected by operations	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	N/A	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	N/A	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	For SFI, Freon R22 - 60kg (older vessel); Freon R-404A - 80kg (newer vessel) For Tasli, Freon R22 - Est. 150 kg/ year; For CSC, Freon404A, 23 kg (newer vessels)	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Air pollutants

Disclosure	Quantity	Units
NOx	For Chelsea Providence, compliant using VLSFO Very Low Sulfur Fuel Oil	Kg
Sox	ADO - Est 64	Kg
Persistent organic pollutants (POPs)	N/A	Kg
Volatile organic compounds (VOCs)	N/A	Kg
Hazardous air pollutants (HAPs)	N/A	Kg
Particulate matter (PM)	N/A	Kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	N/A	kg
Reusable	N/A	kg
Recyclable	N/A	kg
Composted	N/A	kg
Incinerated	N/A	kg
Residuals/Landfilled	For CSC, estimated 5kg/voyage	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	N/A	kg
Total weight of hazardous waste transported	N/A	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Effluents

Disclosure		Quantity	Units
Total volume of water discharges		For TASLI, 50 Metric tons; For SFI, 100 cubic meters; For CSC, est 50 cubic meters, some vessels have sewage holding tanks (IACS-classed)	
Percent of wastewater recycled		N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	n/a	

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	₱
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ¹⁸	2286	
a. Number of female employees	567	#
b. Number of male employees	1719	#
Attrition rate ¹⁹		rate
Ratio of lowest paid employee against minimum wage	n/a	Ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	9	20
PhilHealth	Y*	4	2
Pag-ibig	Y*	7	9
Parental leaves	Y*	1	0
Vacation leaves	Y	100	100
Sick leaves	Y	38	19
Medical benefits (aside from PhilHealth))	Y*	48	60
Housing assistance (aside from Pag-Ibig)	Y	0.00	0.00
Retirement fund (aside from SSS)	Y	1	1
Further education support	Y	0	0
Company stock options	Y	65	65
Telecommuting	Y	58	45
Flexible-working Hours	Y	84	88
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Employee benefits are significant and a key to attract and retain talents, it enables the organization to provide a positive work environment. It creates a culture of productive workforce.</i>	Shareholders Employees Government Customers Suppliers	<i>Employee benefits policies and guidelines are reviewed regularly and aligned according to the needs of the people.</i>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	3886	hours
b. Male employees	13750	hours
Average training hours provided to employees		
a. Female employees	7	hours/employee
b. Male employees	8	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Trainings conducted in compliance to DOLE and to improve employee productivity	Shareholders Employees Government Customers Suppliers	<p>As the organization began consolidating services to its subsidiaries, one of the key training needed is for backend support using Google Applications, SAP, and various business applications modules to adopt to the digitalization program of the Company.</p> <p>A regular 8-hr Mandatory Basic Occupational Safety Training is continuously given to employees by the Company Safety Committee and by HR for all employees and new hires.</p> <p>The Company conducts regular New Hire Orientations as well as internal training and familiarization on Data Privacy Law and Safe Spaces Act.</p> <p>For functional training for the enhancement of knowledge and</p>

		<p>application, particularly for shipping, a Ship Management Summit with Strategic Planning incorporated therein was conducted. This has great impact on the day to day operations of vessels as well as on back end support.</p> <p>The Company conducts internal training and its impact is continuously evaluated particularly for functional training.</p> <p>The Company conducts yearly competency-based learning per organizational level. This training is also evaluated for improvement and to know additional training needed.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
The risk of employees who underwent training but for one reason or another had to leave the company.	Shareholders Employees Government Customers Suppliers	The Company requires echo training and coaching of staff or colleagues and apart from the reciprocal agreement where the employee will have to stay and fulfil the reciprocal agreement term or its monetary equivalent.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Improved employee performance through training gives higher chances of achievement of company goals, profitability and sustainability. The satisfaction and morale of employees will also improve as training which is an investment of the company for the employee/s shows that they are being valued.	Shareholders Employees Government Customers Suppliers	Training targets the weaknesses of employees. It will then eventually increase productivity and adherence to quality standards.

Labor-Management Relations

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Collective bargaining can help build trust and mutual respect between employers, workers and their organizations, and contribute to stable and productive labour relations.	Shareholders Employees	Townhalls and employee engagements
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Company may endure higher labor cost with demand of benefits and may decrease labor control	Shareholders Employees	The Company maintains its open communication with the employees with different mediums, such as Advisories, quarterly Townhalls, etc., to update the employees of the Company's standing in attaining its goals.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
The yearly agreements with the employees can help in improving productivity levels.	Shareholders Employees	Transparent communication with the employees encourages support and cooperation to be able to attain certain targets for the benefit of everyone.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	13.5	%
Number of consultations conducted with employees concerning employee-related policies	2	#

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	25	%
% of male workers in the workforce	75	%
Number of employees from indigenous communities and/or vulnerable sector*	4 (solo parent)	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
	Employees	The company supports the law about Solo Parent and complies with its regulatory requirement

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	908,546 (Tankers and office)	Man-hours
No. of work-related injuries	1* (for Tankers) Crew suffered minor injury while lifting cargo valve	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	1*(Tankers – Company-wide emergency drill involving vessel in peril) Vessels conduct monthly drills as mandated by SOLAS	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Health & Physical Impact Business Impact	Employees Customers Management	Management is involved in safety & health programs and must participate in Safety meetings. Encourage employee to report incidents Regular HSSE Meetings & OSHA Compliance) Enhance Safety & Health training
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Possible DOLE/ OSHA fine & penalties Increased unnecessary costs to the organization	Employees Customers Management	Management to promote & support S&H program (regular walk around inspection) Implementation of hazard identification, Risk Assessment & JSA. Create a Safety & Health Program (DOLE
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Structure improvement to the workplace and working environment Increased S&H knowledge & awareness Improve S&H processes, procedures and programs	Employees Customers Management	Management provides a safe workplace for all employees Management support of the training courses and evaluation of effectiveness Implement a Safety & Health Program

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Chelsea Group Handbook and Code of Conduct
Child labor	Y	Chelsea Group Handbook and Code of Conduct
Human Rights	Y	Chelsea Group Handbook and Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

None. However, we have provided our suppliers with accreditation guidelines, forms and documentary requirements for submission.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the company policy
Environmental performance	N/A	
Forced labor	N/A	
Child labor	N/A	
Human Rights	N/A	
Bribery and corruption	N/A	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if Applicable) *	Does the particular operation have impact on indigenous people (Y/N)?	Collective /individual rights that have been identified that are of particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Disposal of Scraps in Warehouses	CSC	N/A	N	Environmental Conservation	Developing waste management plans, promoting clean and organized warehouse for efficient operations, and ensuring safety of employees.
Hiring of Female Crews in Ships (10% of manpower target for 2020)	All subsidiaries	N/A	N	Promoting Women's Rights, Gender Equality and creating new jobs for women in the society especially in the Maritime field.	One of the group's vessels already has an all-female crew, and the Company is looking into expanding this initiative to more ships.

Offering discounted fares, special promos, and group discounts	All subsidiaries	N/A	N	Access to affordable services	Engaging customers and potential customers to avail our services that are affordable compared to other competitors.
PWD, Senior Citizens, and Student Discounts	All subsidiaries	PWDs and Senior Citizens	N	Access to affordable services	Strengthening systems that keep track of PWDs, Seniors, and Students. Promoting good relationship and quality service leading to customer retention.
Cadetship Program	CSC	N/A	N	Employment opportunities for shipping crew	
Tourism Marketing	All subsidiaries, except Worklink	N/A	Y	Promoting local tourism to encourage locals and tourists in travelling Philippines' top destinations by sea.	

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction survey? (Y/N)
Customer satisfaction	N/A	For TASLI, all surveys were done in-house through email.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	For TASLI, zero complaints on health & safety in 2022.	

No. of complaints addressed	For TASLI, complaint for surcharge was received and replied to.	#
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**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Changes in schedules and in budgeted expenses	Employees Customer Shareholders Community	<p>The Company endeavors to continually improve its Safety Management System (SMS) by adopting new processes and procedures and other guidelines for best practices in accordance with International Shipping Standards.</p> <p>The Company is also enhancing its Ship modernization program.</p> <p>The Company also ensures that each ship is manned by only qualified, certificated and medically-fit seafarers in accordance with national and international requirements, the Company has developed procedures to ensure sufficiency of its resources in terms of personnel.</p> <p>Safety procedures, emergency procedures, planned maintenance system, training manual, job description, job safety analysis and garbage management have been clearly stipulated in the Company's established system.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>Possible customer dissatisfaction</p> <p>Possible damage to vessel, damage to property and accident continue to occur in</p>	Employees Customer Shareholders Community	All employees of the Company are mandated to strictly adhere to its established system, specifically on its Safety and Environmental Protection Policy.

our organization despite our identified corrective/preventive actions.		The Company aims to provide a secure environment for all its employees, contractors and clients, thus Security Policy has been developed whereby all employees and contractors are expected to comply with the set of security measures and all requirements of the law. They shall take all necessary precautions to protect themselves, their colleagues, the ship, cargoes, passengers and the environment from all criminal or malicious acts.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Opportunity to improve our products and services	Employees Customer Shareholders Community	Crew Training Program

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	Average of 12/month	#
No. of complaints addressed	All complaints are attended to	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users and account holders whose information is used for secondary purposes	None	#

**Substantiated complaints include complaints from customers that went through the organization's*

formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not applicable	Not applicable	Not applicable








Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
None	Not applicable	Not applicable

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Tankering Services, Freight, Passenger Transport, Tugboat service & Logistics & Warehousing	      	<p>Increased Carbon Imprint, Harmful chemical waste to the environment</p> <p>Health & Safety risk for the crews and employees</p> <p>Work fatigue, Low employee morale</p>	<p>Ship modernization program</p> <p>100% migration of servers and digital solutions to Cloud</p> <p>Optimized routes for vessels to lessen travel time decreasing carbon imprint.</p> <p>Yearly participation in tree planting in partnership with the LGUs</p> <p>Health & Safety guidelines, seminars, PPEs, and hazard pay for crew and employees</p> <p>Knowledge Sharing Program, Women Empowerment Campaign, Partnership with Public and Private Institutions to uphold employee wellness and social/ environmental accountability</p>

None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.


SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in TAGUIG CITY on 06 AUGUST 2024.

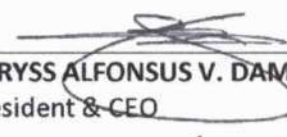
CHELSEA LOGISTICS AND INFRASTRUCTURE HOLDINGS CORP.

Pursuant to the requirement of the Securities Regulations Code, this Annual Report has been signed by the following persons in their capacities and on the dates indicated.

By


DENNIS A. UY
Chairman of the Board

-AUG 6
Date


CHRYSS ALFONSUS V. DAMUY
President & CEO

-AUG 6
Date


IGNACIA S. BRAGA IV
Chief Financial Officer

-AUG 6
Date


MA. HENEDINA V. SAN JUAN
Corporate Secretary

-AUG 6
Date

SUBSCRIBED AND SWORN to before me this 6 AUGUST 2024 at TAGUIG CITY, affiants exhibiting to me their identifications, as follows:

NAME	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
DENNIS A. UY	Passport# P6685214B	21 Apr 2021	DFA Manila
CHRYSS ALFONSUS V. DAMUY	Passport# P0724359B	19 Feb 2019	DFA Manila
IGNACIA S. BRAGA IV	Passport# P6427499B	04 Mar 2021	DFA NCR East
MA. HENEDINA V. SAN JUAN	Passport# P1579797B	03 May 2019	DFA NCR East

Doc. No. 34
Page No. 69
Book No. 211
Series of 2024.


ATTY. IRISH S. PRECION
Notary Public for Taguig City
Appointment No. 23 (2023-2024)
Roll No. 69281/05.31.17 / IBP No. 257478/12.29.21
PTR No. A-6123618/01.02.24/Taguig City
MCLE Compliance No. VII-0020815 valid until 04-11
Ground Floor FTI Old Admin. Bldg. FTI Complex, Taguig
precionirishs@gmail.com / 09568534544