This Preliminary Prospectus and the information contained herein are subject to completion or amendment without notice. The Offer Shares may not be sold nor may an offer to buy be accepted prior to the time that the Preliminary Prospectus is issued in final form. Under no circumstances shall this Preliminary Prospectus constitute an offer to sell or the solicitation of an offer to buy any Offer Shares nor shall there be any offer, solicitation or sale of the Offer Shares in any jurisdiction

PRELIMINARY PROSPECTUS STRICTLY CONFIDENTIAL

LBC Express Holdings, Inc.

(incorporated in the Republic of the Philippines)

Primary Offer of up to 10,000,000 Common Shares
and Secondary Offer of up to 59,101,000 Common Shares

Offer Price of up to ₱22.00 per Offer Share

to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Sole Underwriter

Abacus Capital & Investment Corporation

The date of this Prospectus is 8 May 2019

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION.

LBC Express Holdings, Inc.
LBC Hangar, General Aviation Center, Domestic Airport Road
Pasay City, Metro Manila, Philippines
Telephone Number: +632-856-8510
Fax Number: +632-851-9759
Corporate Website: www.lbcexpressholdings.com

This Prospectus relates to the offer and sale of up to 69,101,000 common shares at an Offer Price (as defined below) of up to ₱22.00 (the "Offer Shares"), with a par value of ₱1.00 per share (the "Common Shares"), of LBC Express Holdings, Inc., a corporation organized under Philippine law (the "Issuer" or the "Company"). The Offer Shares will comprise of 10,000,000 new Common Shares to be issued and offered by the Company by way of a primary offer (the "Primary Offer Shares"), and of 59,101,000 existing Common Shares offered by LBC Development Corporation (the "Selling Shareholder') pursuant to a secondary offer (the "Secondary Offer Shares"). The trading symbol of the Company is "LBC." The offer of the Offer Shares is referred to as the "Offer." See *"Plan of Distribution"* on page 262 and *"Use of Proceeds"* on page 62 of this Prospectus.

Pursuant to its articles of incorporation as amended on October 12, 2015, the Company has an authorized amount of capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with a par value of ₱1.00 per share, of which 1,425,865,471 Common Shares are issued and outstanding as of the date of this Prospectus. The Offer Shares shall be Common Shares of the Company.

The Offer Shares shall be offered at a price of up to ₱22.00 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 68 of this Prospectus. A total of up to 1,435,865,471 Common Shares will be outstanding after the Offer.

Assuming the maximum offer price of ₱22.00, the total proceeds to be raised by the Company from the sale of the Primary Offer Shares will be ₱220.0 million. Assuming the maximum offer price of ₱22.00, the estimated net proceeds to be raised by the Company from the sale of the Primary Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱21.0 million) will be approximately ₱199.0 million. Assuming the maximum offer price of ₱22.00, the total proceeds to be raised by the Selling Shareholder from the sale of the Secondary Offer Shares will be ₱1.300 billion. Assuming the maximum offer price of ₱22.00, the estimated net proceeds to be raised by the Selling Shareholder from the sale of the Secondary Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱35.8 million) will be approximately ₱1.264 billion. The Company intends to use the proceeds it receives from the Offer of the Primary Offer Shares to finance strategic expansion, as well as for general corporate purposes and capital expenditures. The Selling Shareholder intends to use the proceeds it receives from the Offer of the Secondary Offer Shares for its own general corporate purposes. For a more detailed discussion on the proceeds from the Offer and the Selling Shareholder's proposed use of proceeds, please see *"Use of Proceeds"* beginning on page 62 of this Prospectus.

The Sole Underwriter (as defined below) will receive a transaction fee from the Company equivalent to 2.5% of the gross proceeds from the sale of the Offer Shares (as defined below). Any Offer Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the Sole Underwriter. For a more detailed discussion on the fees to be received by the Sole Underwriter, see *"Plan of Distribution"* beginning on page 262 of this Prospectus.

Each holder of the Shares will be entitled to such dividends as may be declared by our Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of our total outstanding capital stock, which refers to the total shares of stock subscribed by, under binding subscription agreement with, subscribers or stockholders, whether paid in full or not, except treasury shares. The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the Board of Directors of the Company, in the form of stock and/or cash dividends, subject always to: (a) all requirements of the Revised Corporation Code as well as all other applicable laws, rules, regulations and/or orders; (b) any banking or other funding covenants by which the Company is bound from time to time; and (c) the operating and expansion requirements of the Company as mentioned above. See *"Dividends and Dividend Policy"* on page 66 of this Prospectus.

Up to 13,820,200 of the Offer Shares (or 20.0% of the Offer Shares) (the "Trading Participants Shares") are being offered and sold by the Sole Underwriter at the Offer Price in the Philippines to all of the trading participants of the PSE (the "PSE Trading Participants" or "Selling Agents"). Details regarding the commission to be received by the Sole Underwriter can be found under "Plan of Distribution." Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the PSE Trading Participants shall be distributed by the Sole Underwriter to its clients or to the general public. Offer Shares not taken up by the PSE Trading Participants and the Sole Underwriter's clients or the general public shall be purchased by the Sole Underwriter. See "Plan of Distribution" on Page 262 of this Prospectus.

Up to 55,280,800 of the Offer Shares (or 80.0% of the Offer Shares) (the "Institutional Offer Shares") are being offered and sold by the Sole Underwriter to certain qualified buyers in the Philippines (the "Institutional Offer"). Any Institutional Offer Shares allocated to certain qualified buyers within the Philippines may be re-allocated to the PSE Trading Participants for distribution by the Sole Underwriter, based on mutual agreement between the Sole Underwriter and the Company.

All of the Common Shares issued and to be issued pursuant to the Offer have identical rights and privileges. The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Because the Company, through its subsidiary LBC Express, Inc., is engaged in air freight forwarding and private express and messengerial delivery services, its foreign shareholdings may not exceed 40% of its issued and outstanding capital stock entitled to vote in the election of directors, and 40% of its total issued and outstanding capital stock, whether or not entitled to vote in the election of directors. See *"Philippine Foreign Exchange and Foreign Ownership Controls"* on page 260 of this Prospectus.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

- risks relating to the Group's business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to certain statistical information in this Prospectus.

Please refer to the section entitled *"Risk Factors"* beginning on page 30 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

An application for listing of the Common Shares was approved on [●] by the board of directors of the PSE, subject to the fulfillment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Moreover, the Securities and Exchange Commission (the "SEC") has issued its pre-effective clearance and permit to sell securities on [●] and [●], respectively. Such approvals are permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or the SEC.

An application has been made to the SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines or Republic Act No. 8799) (the "SRC").

A REGISTRATION STATEMENT RELATING TO THE OFFER SHARES HAS BEEN FILED WITH THE SEC BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE OFFER SHARES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to its right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the Philippine Depository and Trust Corporation (the "PDTC") on or about [●].

By:

Miguel Angel A. Camahort
Chairman and President

SUBSCRIBED AND SWORN TO before me this _____________ 2019, affiant exhibiting to me his competent evidence of identity, as follows:

Name	**Competent ID**	**Date of Expiration and Place of Issue**
Miguel Angel A. Camahort	Philippine Passport No. P351081A	22 June 2022 DFA Manila

Doc. No.______;
Page No.______;
Book No.______;
Series of 2019.

No representation or warranty, express or implied, is made by the Company and the Sole Underwriter regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

Certain statistical information and forecasts in this Prospectus relating to the Philippines and other data used in this Prospectus were obtained or derived from internal surveys, industry forecasts, market research, governmental data, publicly available information and/or industry reports included in the section entitled "Industry." The data relating to the Philippine logistics market and the Philippine remittance market was obtained from Ken Research Private Ltd. ("Ken Research"), an independent research firm, and was included for the purpose of providing investors with an overview of the Philippine logistics market and the Philippine remittance market. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts, market research, governmental data, publicly available information and/or industry publications have not been independently verified by the Company or the Sole Underwriter and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Conventions which apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "Company" are to LBC Express Holdings, Inc., "LBC Express" are to LBC Express, Inc., "Subsidiaries" are to all subsidiaries of the Company including LBC Express and its own subsidiaries, and the "Group" are to the Company and its Subsidiaries on a consolidated basis. All references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" are to the national government of the Philippines. All references to the "BSP" are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to "Philippine Peso," "Pesos" and "₱" are to the lawful currency of the Philippines, and all references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States. The Company publishes its financial statements in Pesos.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Presentation of Financial Information

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards and Philippine Interpretations from International Financial Reporting Interpretations Committee.

The consolidated financial information for the Company as of for the years ended December 31, 2016, 2017 and 2018 represent the accounts of the Company on a consolidated basis after the Corporate Reorganization. Unless otherwise stated, all financial information relating to the Company contained herein is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's calendar year begins on January 1 and ends on December 31 of each year. LBC Express and its subsidiaries' fiscal year begins on December 1 and ends on November 30 of each year. SGV &Co., *a member firm of Ernst & Young Global Limited*, has audited and rendered an unqualified audit report on the consolidated financial statements of LBC Express Holdings, Inc. and its Subsidiaries as of and for the years ended December 31, 2016, 2017 and 2018, which are included elsewhere in this Prospectus.

Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Group's ability to successfully implement its current and future strategies;
- the Group's ability to anticipate and respond to market trends;
- the Group's ability to successfully manage its future business, financial condition, results of operations and cash flow;
- the Group's ability to maintain relationships with third party providers of sea and air transport;
- the Group's ability to maintain existing and establish new relationships with domestic and international remittance agents;
- the Group's ability to remain up-to-date in its IT infrastructure and other processes;
- the Group's ability to successfully integrate any company it acquires;

- changes to the laws, regulations and policies applicable to or affecting the Group;
- general political, social and economic conditions in the Philippines;
- any future political instability in the Philippines;
- geopolitical dynamics involving the Philippines and/or any of the countries in which the Group's branches, affiliates and agents are located;
- the condition of and changes in the Philippine, Asian or global economies;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- competition in the Philippine domestic and international inbound logistics and/or remittance industries;
- legal or regulatory proceedings in which the Group is or may become involved; and
- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters.

Additional factors that could cause the Group's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Sole Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

The Company and the Sole Underwriter have exercised due diligence in ascertaining that all material representations contained in this Prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in this Prospectus and any amendments or supplements thereto not misleading.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AMLA	Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the Philippine Anti-Money Laundering Act of 2001
Araneta Family	Principally, Mr. Juan Carlos G. Araneta, Mr. Santiago G. Araneta, Mr. Fernando G. Araneta and Ms. Ma. Monica G. Araneta, who comprise the majority shareholders of LBC Development Corporation
Balikbayan Boxes	boxes used by retail customers to send personal effects to friends and family, domestically and internationally, typically by way of sea transport
Bayad Center	CIS Bayad Center, Inc., a company operating in the outsourced payment collection industry, which has historically provided payment access for more than 20 million customers of 133 major billers
Board of Directors or Board	the board of Directors of the Company
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
Bureau of Customs	the Philippine Bureau of Customs
CAB or Civil Aeronautics Board	the Philippine Civil Aeronautics Board
CAGR	compound annual growth rate
cargo	boxes or other packages of goods transported by air, ship or ground, typically weighing more than three kilograms
Central Exchange	the primary distribution center located in the General Aviation Center of the Old Domestic Airport, in which all parcels and cargo collected from, passing through or destined for Metro Manila is sorted and re-routed
Common Shares	common shares of the Company of par value ₱1.00 per share
the Company	LBC Express Holdings, Inc., a company incorporated with limited liability in the Philippines; however, references to the Company, when used in the context prior to the Corporate Reorganization, are to Federal Resources Investment Group, Inc.
Congress	the Congress of the Philippines, which includes the House of Representatives and the Senate
control of an investee	an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Corporate Reorganization	a series of transactions involving the Company and its former shareholders, LBC Development Corporation, and LBC Express, Inc. whereby, among other things, (i) LBC Development Corporation initially acquired 59.1% interest in the Company by subscribing to all of the unissued capital stock thereof, (ii) the Company increased its authorized capital stock with LBC Development Corporation subscribing to additional shares of the Company out of, and following, such increase in capital, as a result of which LBC Development Corporation's ownership interest in the Company increased to 84.58% and (iii) the Company acquired all of the outstanding shares of stock in LBC Express, Inc.; see *"Business – History and Corporate Reorganization – Corporate Reorganization"* on page 98 of this Prospectus.
CP Briks	CP Briks Pte Ltd., a private holding company with limited liability organized under the laws of Singapore
delivery hub	a smaller version of a distribution center where parcels and cargo are aggregated for secondary sorting and onward forwarding to their final destinations, which is typically located in the outer area of the provinces and serve as the delivery jump-off point for the door-to-door service.
distribution center	a warehouse, hangar or other building located near an airport or a seaport where parcels and air cargo are aggregated for sorting by employees, which is typically significant in size (upwards of 1000 square meters). A distribution center serves as a depository station for initial cargo dropoff from the airport or the seaport, and also serves as a sorting facility for distribution to smaller delivery stations, or for cargo and parcels accepted from the branches located in provincial areas, for transport to Manila and other parts of Luzon.
domestic remittance	remittance transaction wherein both sender and beneficiary are located within the Philippines
EBITDA	income before income tax plus depreciation and amortization plus interest expense-net
E-commerce	electronic commerce
Eligible Investors	see *"Summary of the Offer – Eligible Investors"* on page 19 of this Prospectus.
FCL	full container load
freight	goods (including parcels and cargo) transported by land, air or sea
GDP	gross domestic product
Government	the national government of the Republic of the Philippines
Group	the Company and its Subsidiaries
international inbound remittance	remittance transaction wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines

IRO	Investor Relations Officer
IT	information technology
LBC Convertible Instrument	the seven-year convertible instrument in the aggregate principal amount of US$50.0 million, due 2024, issued by the Company in favor of CP Briks.
LBC Development Corporation	LBC Development Corporation, a company incorporated with limited liability in the Philippines, the single largest stockholder of the Company and, prior to the Corporate Reorganization, the parent company of LBC Express, Inc.
LBC Bank	LBC Development Bank, Inc., a company incorporated with limited liability in the Philippines and formerly an affiliate of LBC Express, Inc.
LBC Express	LBC Express, Inc., a company incorporated with limited liability in the Philippines, including its subsidiaries
LBC Marks	all "LBC" branded trademarks, logos and slogans licensed by LBC Development Corporation to the Company
LCL	less-than-container load
LISBON Survey	a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm
Listing Date	the date of listing and when trading of the Primary Offer Shares commences on the PSE which is expected to be on July 8. 2019.
Logistics	one of the LBC Express' two primary business segments, which includes courier, freight forwarding and other logistics solutions for retail and corporate customers
Metrobank	Metropolitan Bank & Trust Company
money laundering	conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership, movement or control of money or assets, so as to make the money or assets appear to have originated from a legitimate source; specifically, in the Philippines, money laundering is defined by Section 4 of Republic Act No. 9160, as amended
Money Transfer Services	one of the LBC Express' two primary business segments, which includes remittance (domestic and international) and bill payments collection services
MPO	minimum public ownership
NVOCC	non-vessel operating common carrier, a shipment consolidator or a freight forwarder that does not own any vessel, but functions as a carrier by issuing its own bills of lading or air way bills (industry-standard shipping documents detailing the title, type, quantity and destination of the goods shipped), and assuming responsibility of the shipment

Offer	the offer and sale of the Offer Shares
Offer Price	up to ₱22.00 per Offer Share
Offer Shares	the Primary Offer Shares and the Secondary Offer Shares
OFW(s)	overseas Filipino worker(s)
OHL	OHL (S) Pte. Ltd., a global supply chain management company that provides ocean and air freight, transportation management and warehousing services
Palawan Pawnshop	the trade name of Eight Under Par, Inc., a company engaged in the pawning business and the local remittance fulfillment partner of LBC Express
parcels	letters and small packages, typically weighing three kilograms or less
PDIC	Philippine Deposit Insurance Corporation
PDTC	Philippine Depositary & Trust Corporation
PFRS	Philippine Financial Reporting Standards
Philippine Constitution	also known as the 1987 Constitution, the supreme law of the Republic of the Philippines
POS System or POS	point-of sale, which is a combination of hardware and software built to centralize business operations, which is used by the Group for courier, air cargo and remittance acceptances
Primary Offer Shares	10,000,000 new Common Shares to be issued and offered by the Company
PSB	Philippine Shippers' Bureau
PSE	The Philippine Stock Exchange, Inc.
PSE Trading Participants	the trading participants of the PSE
put-to-light	a technology for sorting mail or inventory whereby lights are used to guide operators to the correct sorting bin or area in which to "put" the item after the item's barcode has been scanned
R.A.	Republic Act, which refers to a statute enacted by the Philippine Government
Ramco Systems	refers to RAMCO Systems, Inc., the provider of logistics software for LBC Express
RCBC	Rizal Commercial Banking Corporation
Revised Corporation Code	*Republic Act No. 11232*, also known as the Revised Corporation Code of the Philippines

SAP	refers to SAP AG, the provider of business software for LBC Express
SEC	Securities and Exchange Commission
Secondary Offer Shares	59,101,000 existing Common Shares to be offered by LBC Development Corporation
SCS or Specialized Corporate Solutions	the end-to-end tailored logistics services provided by the Group to corporate clients with specific requirements
sq. m.	square meter
Subsidiary	means an entity that is controlled by another entity.
TEU	twenty-foot equivalent unit
unbanked	describing the demographic of individuals who do not hold savings or deposit accounts in traditional banking and financial institutions
volumetric weight	a calculation reflecting the density of a shipment, taking into account both actual weight and dimensions

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms," "Risk Factors," "Business" or elsewhere in this Prospectus.

Overview

The Company is a holding company with 100% shareholding interest in LBC Express as of December 31, 2018. LBC Express is a leading provider of courier and freight forwarding services, as well as a leading non-bank provider of domestic remittance services and inbound international remittance services in the Philippines. Throughout LBC Express' over 60-year operating history, the "LBC" brand and logo have come to be recognized by Filipinos living domestically and overseas to represent LBC Express' track record for reliable, timely and far-reaching services. Leveraging its brand equity, experience and wide distribution network, LBC Express had the largest market share in the domestic air freight forwarding business in the Philippines for the years 2006 to 2017, in terms of weight, according to the Civil Aeronautics Board ("CAB"). Moreover, according to Ken Research, LBC Express had the largest Balikbayan Box market share in terms of revenues in 2015.

LBC Express' two main operating segments comprise (a) Logistics; and (b) Money Transfer Services.

Logistics is LBC Express' primary revenue driver, accounting for 87%, 90% and 92% of its service revenue for the years ended December 31, 2016, 2017 and 2018. LBC Express' Logistics products are geared toward both retail and corporate clients, who accounted for 62% and 38%, respectively, of its total service revenue from the Logistics segment for the year ended December 31, 2018. The main services offered under LBC Express' Logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport). In addition, LBC Express also provides a host of specialized, value-added logistics solutions such as integrated logistics, supply chain management and other tailored logistics solutions. To carry out its Logistics operations, LBC Express utilizes its domestic fleet of approximately 3,187 vehicles (including approximately 2,635 motorcycles and approximately 552 vans as of December 31, 2018) for ground transport in the Philippines and contracts with various domestic and international airline carriers and shipping companies for air and sea cargo transport. As of December 31, 2018, LBC Express offered Logistics services at all of its 1,397 branch locations within the Philippines, as well as to and from 22 other countries and territories in which it had branch offices and affiliates or agents. To complement its Logistics offerings, LBC Express also offers additional specialized services such as warehousing and packaging services, among others.

Money Transfer Services, LBC Express' other main business segment, accounted for the remaining 13%, 10% and 8% of its service revenue for the years ended December 31, 2016, 2017 and 2018, respectively. The Money Transfer Services segment involves both domestic and international services. Domestic Money Transfer Services comprise (a) domestic remittance services (including branch retail services, pre-paid remittance cards and online and mobile remit); and (b) bills payment collection and corporate remittance payout services. International Money Transfer Services comprises international inbound remittance services. LBC Express leverages its branch network and delivery fleet for its Logistics business as a platform for its remittance services. It also contracts with remittance fulfillment agents domestically and internationally to expand its network. See *"Business – Money Transfer Services – Remittances – Infrastructure"* on page 118 of this Prospectus. LBC Express' remittance services are targeted primarily at retail customers that may lack access to traditional banking institutions, whether because they are geographically removed or because they are not bank account holders. Its bills payment collection services enable customers to pay their bills for a variety of vendors, such as utilities companies, publications, insurance companies and others, while its corporate remittance payout services enable customers of various insurance companies and employees of certain companies to receive benefits and salary payouts, at any domestic company-owned branch. As of December 31, 2018, LBC Express' Money Transfer Services were available at each of its 1,397 domestic branch locations. Its remittance encashment services were also available at an additional 2,698 branches (as of December 31, 2018) of Palawan Pawnshop, LBC Express' local remittance fulfillment partner. As of December 31, 2018, LBC Express also processed international inbound remittances originating from over 14 other countries and territories in which it had branch offices, affiliates and/or agents (including extended networks of LBC Express' agents).

Competitive Strengths

LBC Express considers the following to be its principal competitive strengths:

Leading provider of express courier services in the Philippines with an extensive domestic network and broad global reach

LBC Express is a leading provider of express courier services to retail consumers in the Philippines, offering a reliable, convenient and cost-effective alternative to the Government-owned and operated postal service. From 2006 to 2017, according to the CAB, LBC Express has consistently been the leader in domestic air freight forwarding in the Philippines in terms of weight. According to Ken Research, in 2015, LBC Express was also a leader in the transport of Balikbayan Boxes with a 19.29% market share in terms of revenues. LBC Express' services are accessible to retail clients through its expansive domestic distribution network which, as of December 31, 2018, comprised 1,397 owned branches covering nearly 30,000, or approximately 70% of the total number of, barangays (most basic administrative divisions) in the Philippines. In addition, LBC Express' domestic fleet of 2,635 motorcycles and 552 vans (as of December 31, 2018) enables the convenience of the door-to-door pick-up service that has become a hallmark of LBC Express' value-added offerings. LBC Express' network also provides coverage in key international markets with significant overseas Filipino worker ("OFW") presence, making its services attractive for both domestic and overseas Filipinos. LBC Express believes that, with its established platform and market position in the retail logistics industry, it will benefit significantly from the positive growth prospects of the Philippine domestic economy and private consumption in the coming years, and it seeks to continue growing its core retail Logistics business, while at the same expanding its corporate logistics offerings and its Money Transfer Services business.

Iconic brand in the Philippines widely recognized for reliability, efficiency and service excellence with an over 60-year operating history

LBC Express believes that the strength of "LBC" brand is one of its key competitive advantages. The "LBC" brand has gained significant recognition in the Philippines and among OFWs throughout LBC Express' over 60-year operating history. As the first Filipino-owned company to provide time-sensitive courier and cargo delivery services and the pioneer in 24-hour door-to-door delivery services in the Philippines, LBC Express has a long-established reputation for being a trustworthy and dependable provider of on-time deliveries of important goods and documents. Today, LBC Express believes that the "LBC" brand has become synonymous with top quality service. When LBC Express expanded into the remittance business in the early 1980s, the brand equity and goodwill of the trusted "LBC" brand contributed to the success of this new business. In addition to its extensive geographic reach and marketing efforts, LBC Express' dedication to efficiency, reliability and general service excellence has earned it considerable goodwill and trust from its customers. The "LBC" brand was one of Reader's Digest's Trusted Brand Winners – Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, LBC Express was considered one of the Best-in-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012. According to the LISBON Survey, in 2012, LBC Express achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. Other prestigious awards bestowed upon LBC Express include: Readers Digest Trusted Brand Platinum Award Airfreight and Courier Category 2017, Readers Digest Trusted Brand Gold Award Remittance Category 2017, The Filipino Times Preferred Freight Forwarding Company in the Middle East 2015-2016, The Filipino Times Preferred Remittance Service Provider in the Middle East 2015-2016, Asia Pacific Entrepreneurship Award for Corporate Excellence in the Transportation and Logistics Industry category for 2018, TFC Champion of the Filipino Consumer Award 2015, Silver Anvil Award for LBC "Moving Spaces" Public Relations Category 2015, Silver Anvil Award for LBC "#moveitformanny" Public Relations Tools Category 2015, Araw Values Bronze Award for #moveitformanny, branded communications category 2014. To keep up with growing expectations of customers, LBC Express continues to set challenging targets for itself in terms of delivery efficiency and customer satisfaction, as well as goals for further improving its image and brand.

Highly scalable business operations with nationwide distribution network and robust IT infrastructure

LBC Express' Logistics and Money Transfer Services businesses are both highly scalable, making use of an integrated platform to provide complementary services that accommodate a broad range of clients, geographies and needs. Shared resources and services between the Logistics and Money Transfer Services segments have provided LBC Express with economies of scale that might not otherwise be attainable for companies focusing on only one or the other of LBC Express' two business segments. For example, the extensive domestic branch network, delivery vehicle fleet, IT infrastructure, trained workforce and readily available cash from LBC Express' original Logistics business enabled LBC Express to seamlessly enter into the money remittance industry at low marginal cost in the early 1980s. With the same infrastructure and acquired know-how, LBC Express has also been able to expand into corporate logistics and offer additional money transfer services with low start-up costs and relative ease. LBC Express believes that its current distribution facilities, warehouses and delivery vehicles are not yet at full utilization and that there remains significant potential to scale its business even with the existing infrastructure it has in place. In addition, LBC Express' integrated IT system and model of leasing rather than purchasing branch properties has enabled and will continue to enable it to grow its distribution network rapidly, which is key for competitive positioning and effective delivery of quality service in all its business segments.

LBC Express also believes that its robust IT systems and increasing degree of automation ensure efficient operations and concurrently contribute to an optimal cost structure for its business. See *"Business – Information Technology"* on page 122 of this Prospectus. Customers benefit directly from LBC Express' state-of-the-art IT infrastructure in the form of real-time status updates on forwarded parcels or cargo, as well as reduced processing time.

Leading provider of remittance services to both domestic and overseas unbanked Filipino population providing value-added services to customers with the significant synergies with its core Logistics services

LBC Express believes that it is a leading non-bank Philippine provider of domestic and international inbound remittance services. Leveraging on its existing platform of 1,397 Company-owned domestic branches and domestic fleet of approximately 3,187 delivery vehicles, which are shared with the Logistics business, LBC Express is able to provide remittance services at lower costs and in more locations than traditional banking institutions in the Philippines. As a result, LBC Express has developed a strong customer base in the unbanked Philippine population, which accounted for approximately 65.50% of the total Philippine population as of December 31, 2017, based on the Global Findex Database of the World Bank. LBC Express believes that with the continuing recovery of the global economy and increasing levels of private consumption in the Philippines, the money transfer industry will maintain strong growth momentum in the near and medium-term future and that LBC Express will continue to be a provider of choice for remittances for Filipinos. LBC Express also believes that its money remittance business, which has historically displayed strong volume growth even during times of economic slowdown, will continue to provide it stability in its operations and results in times of economic volatility. Moving forward, LBC Express also believes the strength of its remittance business, coupled with its strong brand equity, will result in an increasing number of remittance customers availing of LBC Express' logistics products and services.

Uniquely positioned to benefit from the surging demand for corporate logistics solutions

As the Philippine economy continues to grow and certain industries mature, Philippine corporations are increasingly outsourcing logistics functions to third party logistics providers. Along with improvement and penetration of technology and E-commerce in the consumer industries, logistics has become increasingly global in nature, creating new business opportunities for LBC Express in areas such as international freight forwarding, warehousing and inventory management. With an established operational platform which includes an extensive domestic and international distribution network, an integrated IT infrastructure and a widely recognized and trusted brand, LBC Express believes it is favorably positioned to compete for market share in the growing corporate logistics industry. LBC Express has already increased its focus on the corporate sector in recent years, broadening its scope of services from traditional courier and freight forwarding services to specialized corporate solutions such as fulfillment processing, packaging and repacking, printing and mailing of invoices and others. LBC Express has established close working relationships with several carriers throughout the Philippines' major ports, affording it prioritized capacity and processing opportunities and reducing origin-to-destination transit time. LBC Express also maintains an extensive network of strategically located warehouses, distribution centers and delivery hubs (secondary distribution centers), which are not yet at full utilization and can be scaled to grow LBC Express' corporate logistics segment. LBC Express believes that it will be well-positioned to capture growth from corporate clients as the Philippine economy continues to grow.

Best-in-class management team with established track record

LBC Express' senior management team has extensive experience in business management and market development, combined with a deep understanding of the Philippine logistics and remittance industries and a track record for successful expansion into overseas markets. Their strong management skills and business acumen have also been recognized by the wider business community in the region. Together, the senior management team has over 100 years of combined experience in the logistics and remittance industries. Under their leadership and guidance, LBC Express utilizes targeted strategies to maintain and grow its market leadership in established business segments and compete for additional market share in growing business segments. LBC Express believes that its strong management team enables it to continue improving the efficiency of its operations, the quality of its service offerings and its ability to satisfy its customers' requirements.

Key Strategies

Continue to invest in IT infrastructure and operations to enhance efficiency and service quality

LBC Express is committed to continuing to invest in state-of-the-art IT systems to maintain its competitive edge and more effectively deliver quality service to its customers. LBC Express embarked on a massive enterprise-wide digital transformation program with Ramco Systems. LBC Express implemented Ramco HCM in fiscal year of 2017. This includes modules for Core HR, Time & Attendance, Leave Management, Employee Self Service, and Recruitment. The move to a unified web-based application will enable LBC Express' HR team to focus on more strategic HR initiatives while aspects related to employee self-service, which were hitherto manual will now be completely automated. Employees on the other hand will be able to get real-time access to data via SMS chat, Mail transactions, CHATBOT among others. This is expected to reduce employee support cost, time and effort, substantially. On top of HR and Payroll solutions, LBC Express will also implement

Ramco Logistics in fiscal year of 2018 to fiscal year of 2019. Ramco Logistics solution covers the need of all the business operations from Transportation to warehousing to order management for Parcel/courier service providers, forwarders, 3PL who are seeking high Performance logistics software. Current IT landscape consists of several applications where the information for the same parameter is available in different parts of the system. Ramco Logistics solution allows LBC Express to standardize in to one technology and application platform thus eliminating redundancy in operations and achieving absolute data integrity and scope for planning and optimization. LBC Express provided handheld scanners to its entire team of couriers to improve the collection of tracking data as well as the efficiency of its couriers by eliminating human error and reducing the amount of manual paperwork necessary. The consolidation of data across its various business functions will provide management with a greater means to monitor the business and make key operational decisions. In addition, to ensure the quality and uninterrupted delivery of its service as well as the safety of its employees, LBC Express will continue to ensure that its operational equipment remains well maintained and updated from time to time. Toward this end, LBC Express began refleeting most of its delivery vehicles in fiscal year 2014. LBC Express believes that these investments in technology and operational equipment will yield significant cost savings and productivity enhancement. See also *"Business – Information Technology"* on page 122 of this Prospectus. LBC Express also recently launched LBC Connect which allows the customers to download this application in their mobile to Track their shipments. Calling or sending a message to LBC Express' Customer Service is literally done in one tap. LBC Connect bookmarks the tracking numbers you searched in the application and also helps customer finding the LBC branch near them via branch locator. LBC Express will continue to evaluate new products and technologies as they come to market and will prudently invest in software and devices to enhance the management and efficiency of its operations.

Continue to leverage LBC Express' platform and brand to expand into adjacent businesses

As a result of the expected growth of the Philippine economy in the near term, increased sophistication of Philippine corporates, improved technology and increased emphasis on E-commerce, LBC Express anticipates many opportunities to expand into adjacent business segments by leveraging its established business platforms and brand equity. These adjacent businesses include, among others:

International Freight Forwarding. LBC Express has entered into a partnership agreement with OHL (S) Pte. Ltd. ("OHL"), a global provider of air and sea freight forwarding services, effective August 1, 2013, to operate as a licensed non-vessel operating common carrier ("NVOCC"), whereby each party has mutually appointed the other to serve as a non-exclusive sales and handling agent for air and sea freight forwarding to and from the United States, China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, Australia and the United Kingdom to Manila. Whereas in the past, LBC Express was required to operate through an international freight forwarder for international shipments, this agreement enables LBC Express to engage in the business of international freight forwarding, transacting directly with international shipping companies, through its partnership with OHL. This will enable LBC Express to lessen its own reliance on other international freight forwarders as well as provide international freight forwarding services to others as a new service offering. LBC Express intends to expand its international freight forwarding business in the future, exploring the possibility of forming partnerships with other NVOCCs and international freight forwarders.

E-commerce Fulfillment and Payment Solutions. LBC Express also aims to take advantage of the growth in E-commerce in the Philippines, which it believes could translate into significant growth potential for both of its businesses. As E-commerce increases, the demand from online retailers for warehousing, packaging, delivery, billing, payment and other services that LBC Express provides will continue to grow. With its existing logistics and bills payment collection platforms, LBC Express believes it is well-positioned to be the integrated logistics and money services provider of choice for corporate E-commerce clients. LBC Express aims to target direct sellers, online resellers and buyers, with services such as same day delivery, SMS notifications, personalized packages and Send & Swipe options, among others. LBC Express recently created shippingcart.com to allow customers to shop anywhere in the world by providing a personal P.O. box and payment solutions such as cash, credit card, and bank transfer. LBC Express also intends to create a secure trade platform as an integrator of payments, including cash, credit card and bank transfer. As of the date of this Prospectus, LBC Express has already entered into contracts with certain E-commerce companies to provide fulfillment and delivery services.

Integrated Port and Logistics Services. In addition, LBC Express plans to leverage its experience in the logistics and sea cargo forwarding industries and intends to establish a Super Hub. The Super Hub is an integrated port and logistics facility that conducts warehousing activities customized to suit various customer needs. It can accommodate both air cargo and sea cargo requirements originating from or destined for Metro Manila that passes through the Port of Manila or through the NAIA international airports (Terminals 1, 2, and 3) and the domestic airport (Terminal 4). LBC Express seeks to capture the potential customized warehousing and logistics, and to provide a one (1)-stop hub to customers aimed to increase efficiency by reducing costs for customers by offering services such as (a) transportation, (b) storage (both regular and specialized temperature-controlled) facilities, (c) distribution facilities, and (d) customs and quarantine services, among others. LBC Express has two (2) facilities located in Alabang and Cupang, both in Muntinlupa, Metro Manila. These facilities have a combined floor space of approximately 10,000 sq.m. of pallet space. LBC Express currently services various customers and offer cross–docking services, which minimizes the handling and storage for the distribution of the clients' products directly to their customers or retail chains. Moreover, LBC Express also provides warehousing solutions for goods, including product receipting and shipment, order requirements, and inventory management to ensure that stock management practices are in place. Lastly, LBC Express also provides pick-and-pack services for select customers, which involves sorting, assembly and disassembly, and repackaging of the clients' goods.

Cold Chain Supply. LBC Express also intends to expand its existing cold chain business. This refers to the uninterrupted series of pre-cooling, packaging, handling, transportation, storage and distribution of goods while maintaining a defined temperature range. Cold chain capabilities are typically required for high-value crops, fishery, poultry and livestock products, pharmaceuticals and other perishable goods. LBC Express believes that there is a significant growth potential in this industry, and intends to continuously develop a logistics infrastructure to support its cold-chain requirements by investing further into temperature-controlled warehouses, reefer vans and reefer trucks. Currently these services include containerized transfers using inter modal transport for the distribution of frozen and chilled products, as well as primary transport for both re supply and general trade deliveries. The service also includes central booking services and administrative temperature data recording.

LBC Express aims to continue evolving its services and capabilities to anticipate and meet the needs of corporate clients and capture value from the growth of the general Philippine economy.

Continue to expand internationally

LBC Express has an extensive network of branches, affiliates and agents in over 22 countries and territories worldwide. LBC Express believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada and the Middle East. As part of the effort to capture market share in such underserved markets, LBC Express plans to improve and renovate its existing branches in order to more efficiently handle and process customer needs and provide service excellence. In addition, LBC Express continuously reviews opportunities to operate in markets where OFWs are deployed or where Filipinos are migrating, including Germany, Korea, Kuwait, Bahrain and Qatar, where LBC Express recently opened branches. As a part of its strategy to broaden its international coverage, LBC Express will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

Continue to invest in brand equity

LBC Express' long history and extensive domestic and international branch network have established widespread recognition of its brand among domestic Filipino customers and OFWs alike. They are not only critical assets for attracting retail and corporate customers but also yield cost savings and access to priority services. For example, LBC Express' established relationships with third party air and sea transport providers have enabled it to gain fixed cargo space on planes and first right of access to empty containers from shipping carriers. These and other benefits enable LBC Express to more quickly fulfill customer orders.

LBC Express aims to continue building its brand equity through advertising and promotional activities. LBC Express regularly advertises on television, radio and billboards, as well as in print and on the Internet. It also participates in other community outreach exercises such as sponsorship of the Ronda Pilipinas (the largest Philippine cycling race), golf tournaments and athletic events of Filipino boxer and politician Manny Pacquiao. See "*Business – Corporate Social Responsibility – Community Outreach*" on page 137 of this Prospectus. LBC Express believes that in addition to fulfilling its commitment to corporate social responsibility, these activities help raise the recognition of the "LBC" brand and understanding of LBC Express' core values. See *"Business – Marketing and Sales"* on page 122 of this Prospectus.

In November 2013, LBC Express and LBC Development Corporation undertook a re-launch of the "LBC" brand name to emphasize the entrepreneurial and adaptive spirit of LBC Express that is complementary to its long heritage. The marketing campaign features a new formulation of LBC Express as not simply a mover of goods but also a mover of space ("space where people can reconnect and relate") with the aim of highlighting the human connection in the services provided by LBC Express to its customers. Pursuant to the same marketing campaign, LBC Express has also re-designed its logo and changed its corporate slogan to "We like to move it," highlighting the corporate logistics segment of its business.

In 2017, LBC Express launched "Totoo ang Ligaya," a global campaign particularly directed toward its millions of customers in various parts of the world. This was a follow-up to the widely successful 2016 campaign launched called "Aming Ligaya." Previous campaigns also included, in 2015, "Paulo"—a sales & marketing campaign highlighting the remittance business, and 2014's Global Brand Ambassador Endorser Campaign "Everywhere," featuring mega endorser Kris Aquino.

Selectively pursue acquisition opportunities

In addition to its commitment to invest in organic growth, LBC Express also plans to augment its breadth of service offerings and depth of operations by selectively and strategically pursuing sound acquisition opportunities. In evaluating such opportunities, LBC Express will consider, among other factors, whether the potential target company has synergies with LBC Express' existing operational platform, whether the potential target will enable LBC Express to grow its customer base and market share in existing businesses, whether it will provide LBC Express with the platform or know-how to expand into new business areas, and whether it will provide synergies in terms of efficiencies and revenue generation. LBC Express believes that prudent investment in strategic acquisitions will bring attractive returns to its revenues, profit and growth over the medium to long term.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include the following:

Risks relating to the Group's business

- A significant portion of the Group's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Group to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.

- The Group's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.

- The Group's successful operation depends to a large extent on the quality of its IT systems; therefore, if the Group is unable to adapt to rapid technological changes, its business could suffer.

- The Group may not be successful in implementing the new IT system.

- The Group does not own the perpetual license of its IT software and may be unable to renew its licenses at the end of their respective terms or obtain new licenses on acceptable terms.

- The Company may not be successful in implementing its acquisition strategies or manage its acquisitions effectively.

- The Group may not be successful in expanding its domestic branch network and its product offerings.

- The Group may not be able to expand into new geographical markets or develop its existing international operations successfully, which could limit the Group's ability to grow and increase its profitability.

- The Group is dependent on the market recognition of the "LBC" brand and other registered trademarks that may be subject to infringement and non-extension of the license to use "LBC" marks.

- If consumer confidence in the Group and the "LBC" brand deteriorates, the Group's business, financial condition and results of operations could be adversely affected.

- LBC Express relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the LBC Express' business.

- As a freight forwarder, LBC Express assumes the primary responsibility of a common carrier for loss of, or damage to, goods in transit because it contracts for the delivery of the goods to their destinations, even if the air and sea transport services are actually provided by third parties.

- The Group may not have adequate insurance to cover all potential liabilities or losses.

- The Group operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.

- If the Group ships or delivers hazardous or undisclosed illegal cargo, it could subject the Group to fines and penalties.

- Any deterioration in the Group's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Group's operations.

- The Group faces risks from increases in freight and transportation costs.

- The Group does not own any real property and the Group may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.

- The Group faces risks from its remittance agents and affiliates.

- The businesses of LBC Express are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Group's operations and profitability.

- The Group is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Group, its agents and affiliates to comply with these laws and regulations and increased costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Group's business, financial condition and results of operations.

- The Group faces risks from trade restrictions.

- Any inability of the Group to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.

- If the Company does not comply with its obligations under the LBC Convertible Instrument issued to CP Briks, CP Briks may foreclose on the pledged LBC Express shares, which could have a material and adverse effect on the financial and operating results of the Group.

- The Company is controlled by the Araneta Family, through LBC Development Corporation, whose interests may not be the same as those of other shareholders.

- The placing of LBC Bank under receivership had and might have material adverse effects on the Group. In addition, the potential claims of (i) ₱333 million against LBC Development Corporation, (ii) ₱1,796 million against LBC Express, and (iii) ₱245 million against LBC Systems, Inc., a subsidiary of LBC Express, by the Philippine Deposit Insurance Corporation ("PDIC"), may also have a material adverse effect on the Group.

- The PDIC has filed various criminal and administrative cases against certain members of the Araneta Family in relation to the receivership of LBC Bank. An adverse ruling against the members of the Araneta Family in any of these cases may cause further reputational harm to the Group.

Risks relating to the Philippines

- Any political instability in the Philippines may adversely affect the Group's business, results of operations or financial condition.

- Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Group's business and financial condition.

- Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

- Investors may face difficulties enforcing judgments against the Group.

- Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

- The sovereign credit ratings of the Philippines may adversely affect the Group's business.

- The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations.

- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Group's business.

Risks relating to the Offer and the Offer Shares

- The Offer Shares may not be a suitable investment for all investors.

- There can be no guarantee that the Offer Shares will be listed on the PSE.

- There may be a limited market for the Common Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

- The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

- Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

- The Company's shares are subject to Philippine foreign ownership limitations.

- Shareholders may be subject to limitation on minority shareholders' rights.

- Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.

- Future changes in the value of the Philippine Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.

- The Company may be unable to pay dividends on the Common Shares.

- Developments in other markets may adversely affect the Philippine economy and market price of the Shares.

Risks relating to certain statistical information in this Prospectus

- Certain information contained herein is derived from unofficial publications.

Please refer to the section entitled *"Risk Factors"* beginning on page 30 of this Prospectus which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of Offer Shares.

Corporate Information

The Company is a Philippine corporation with its registered office and principal executive offices located at LBC Hangar, General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila, Philippines. The Company's telephone number is +632-856-8510 and its fax number is +632-851-9759. Its corporate website is www.lbcexpressholdings.com. The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

Investor Relations Office

The Investor Relations Office is tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to the Company's stakeholders as well as to the broader investor community.

Mr. Enrique V. Rey Jr., acts as the Company's Investor Relations Officer ("IRO") and heads the Company's Investor Relations Office. The IRO is responsible for ensuring that Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO is responsible for receiving and responding to investor and shareholder queries. In addition, the IRO oversees most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO is also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Atty. Mahleene G. Go serves as the Company's Compliance Officer to ensure that the Company complies with, and files on a timely basis, all required disclosures and continuing requirements of the SEC and the PSE.

The Company's Investor Relations Office is located at the 10th Floor Two E-com Center Tower B. Bayshore Avenue corner Harbor Drive. Mall of Asia Complex, Pasay City.

SUMMARY OF THE OFFER

Issuer..	LBC Express Holdings, Inc., a corporation organized under Philippine law with trading symbol "LBC".
Selling Shareholder………………………	LBC Development Corporation
Sole Underwriter	Abacus Capital & Investment Corporation
The Offer / Offer Shares	Offer of 69,101,000 Common Shares, consisting of 10,000,000 primary Common Shares and 59,101,000 secondary Common Shares to be offered by the Selling Shareholder.
Institutional Offer..	Up to 55,280,800 Offer Shares are being offered and sold to certain qualified buyers in the Philippines at the Offer Price.
Trading Participants Offer..........................	Up to 13,820,200 Offer Shares are being offered to all the PSE Trading Participants at the Offer Price. Each PSE Trading Participant shall initially be allocated 104,600 Offer Shares (computed by dividing 13,820,200 Offer Shares among the 132 PSE Trading Participants) and subject to reallocation as may be determined by the Sole Underwriter. The balance of 13,000 Offer Shares will be allocated by the Sole Underwriter among the Trading Participants at its sole discretion. The Offer Shares allocated to Trading Participants not taken up by the same shall be distributed by the Sole Underwriter to its respective clients or to the general public. The Offer Shares allocated to the Trading Participants not taken up by the same and the Sole Underwriter's clients or the general public shall be purchased by the Sole Underwriter.
Offer Price...	Up to ₱22.00 per Offer Share
Offer Period	The Offer Period shall commence at 9:00 a.m., Manila time, on June 24, 2019 and end at 12:00 noon, Manila time, on June 28, 2019. The Company and the Sole Underwriter reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE. Applications must be received by the receiving agent by 11:00 p.m., Manila time on June 28, 2019, whether filed through a participating PSE Trading Participant or filed directly with the Sole Underwriter. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating PSE Trading Participant or the

	Sole Underwriter, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Sole Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.
Eligible Investors	The Offer Shares may be purchased by any natural person of legal age residing in the Philippines, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws.
Restrictions on Ownership..........................	The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Because the Company, through LBC Express, is engaged in air freight forwarding and private express and messengerial delivery services, its foreign shareholdings may not exceed 40% of its issued and outstanding capital stock entitled to vote in the election of directors, and 40% of its total issued and outstanding capital stock, whether or not entitled to vote in the election of directors. For more information relating to restrictions on the ownership of the Common Shares, *see "Philippine Foreign Exchange and Foreign Ownership Controls"* on page 260 of this Prospectus.
Use of Proceeds	The Company intends to use to the net proceeds from the sale and issuance of the Primary Offer Shares to finance strategic expansion, as well as for general corporate purposes and capital expenditures. See *"Use of Proceeds"* on page 62 of this Prospectus for details of how the total net proceeds are expected to be applied.
Minimum Subscription	Each application must be for a minimum of 1,000 Offer Shares, and thereafter, in multiples of 100 Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Reallocation..	The allocation of the Offer Shares between the Trading

	Participants Offer and the Institutional Offer is subject to adjustment. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants Offer (with the consent of the Sole Underwriter). If there is an under-application in the Trading Participants Offer and a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants Offer may be reallocated to the Institutional Offer (with the consent of the Sole Underwriter). The reallocation shall not apply in the event of over-application in both the Trading Participants Offer and the Institutional Offer.
Lock-up..	The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction. A total of 1,146,873,632 Common Shares held by LBC Development Corporation are subject to such 180-day lock-up. See *"Principal and Selling Shareholders"* on page 230 and *"Plan of Distribution – Lock-Up"* on page 262 of this Prospectus.
Listing and Trading.....................................	The Company's application for the listing of the Offer Shares was approved by the PSE on [•]. All of the Offer Shares are expected to be listed on the PSE under the symbol and company alias "LBC." See *"Description of the Shares"* on page 236 of this Prospectus. All of the Offer Shares are expected to be listed on the Main Board of the PSE on or about July 8, 2019. Trading of the Offer Shares is expected to commence on the same date.
Dividends..	The Company has adopted a dividend policy of distributing to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the Board of Directors of the Company, in the form of stock and/or cash dividends, subject always to: (a) all requirements of the Revised Corporation Code as well as all other applicable laws, rules, regulations and/or orders; (b) any banking or other funding covenants by which the Company is bound from time to time; and (c) the operating and expansion requirements of the Company as mentioned above. See *"Description of the Shares – Dividend Rights"* on page 236 and *"Dividends and Dividend Policy"*

	on page 66 of this Prospectus.
Refunds for the Trading Participants and Retail Offer..	In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Sole Underwriter, is less than the number covered by its application, or if an application is rejected by the Company, then the Sole Underwriter shall refund, without interest, within five banking days from the end of the offer period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the receiving agent with whom the applicant has filed the application, at the applicant's risk.
Registration and Lodgment of Shares with PDTC...	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments...........	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See *"Philippine Foreign Exchange and Foreign Ownership Controls"* on page 260 of this Prospectus.
Tax Considerations.......................................	See *"Philippine Taxation"* on page 253 of this Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application for the Offer.....	Application forms and signature cards may be obtained from the Sole Underwriter or from any participating PSE Trading Participant. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application. If the applicant is a corporation, partnership or trust account,

	the application must be accompanied by the following documents: • a certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (in the case of a corporation or a trust) or managing partner (in the case of a partnership); • a certified true copy of the applicant's SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws (or articles of partnership in the case of a partnership), as the case may be, duly certified by its corporate secretary (in the case of a corporation or a trust) or managing partner (in the case of a partnership); and • a duly notarized corporate secretary's certificate (in the case of a corporation or a trust) or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals. Foreign corporate and institutional applicants who qualify as Eligible Investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.
Payment Terms for the Offer	The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (ii) a manager's or cashier's check issued by an authorized bank. All checks should be made payable to "[LBC – Follow On Offering]," crossed "Payee's Account Only," and dated the same date as the application. The applications and the related payments will

	be received at any of the offices of the Sole Underwriter or the selling agents.
Acceptance or Rejection of Applications for the Offer	"Application to Subscribe" forms are subject to confirmation by the Sole Underwriter and the final approval of the Company. The Company and the Sole Underwriter reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. The Company and the Sole Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Sole Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and "Application to Subscribe" forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any "Application to Subscribe" forms, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE.
Expected Timetable	The timetable of the Offer is expected to be as follows:

Pricing	June 14, 2019
Notice of final Offer Price to the SEC and PSE	June 15, 2019
PSE Trading Participants' Commitment Period	June 24-26, 2019
Sole Underwriter's Offer Period	June 24-28, 2019
Offer Settlement Date	June 28, 2019
Listing Date and commencement of trading on the PSE	July 8, 2019

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

Risks of Investing	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include: risks relating to the Group's business, risks relating to the

	Philippines, risks relating to the Offer and the Offer Shares and risks relating to certain statistical information in this Prospectus.
Independent Auditors	SyCip Gorres Velayo & Co. ("SGV & Co.") *(a member firm of Ernst & Young Global Limited)* 6760 Ayala Avenue Makati City 1226 Philippines
Legal Counsel to the Issuer..........................	Picazo Buyco Tan Fider & Santos Penthouse, Liberty Center 104 H.V. Dela Costa Street, Salcedo Village Makati City
Legal Counsel to the Sole Underwriter.......	Angara Abello Concepcion Regala & Cruz Law Offices 22nd Floor, ACCRALAW Tower 2nd Avenue corner 30th Street Crescent Park West, Bonifacio Global City 0399 Taguig City, Philippines
Stock Transfer Agent and Receiving Agent	Rizal Commercial Banking Corp.-Stock Transfer Department Ground Floor Grepalife Building 221 Sen. Gil Puyat Avenue, Makati City,

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary consolidated financial information for the Company and should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements as at and for the years ended December 31, 2016, 2017 and 2018 , including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The consolidated financial statements of the Company and its Subsidiaries as at December 31, 2016, 2017 and 2018 and their financial performance and their cash flows for the years then ended were audited by SGV & Co.

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the consolidated financial statements and the related notes elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
Service Revenue	8,695.4	10,020.1	12,514.2
Cost of Services	(5,590.5)	(6,606.0)	(8,563.6)
Gross Profit	3,104.9	3,414.1	3,950.6
Operating Expenses	(1,872.8)	(2,066.6)	(2,582.9)
Other Income (Charges)	93.0	(220.7)	449.0
Income before Income Tax	1,325.1	1,126.8	1,816.7
Provision For Income Tax	(411.2)	(418.9)	(467.7)
Net Income	**913.9**	**707.9**	**1,349.0**
Other comprehensive income (loss)	235.0	21.6	(87.2)
Total comprehensive income	**1,148.9**	**729.5**	**1,261.8**
Net income attributable to:			
Shareholders of LBC Express Holdings, Inc.	921.6	703.9	1,359.7
Non-controlling interests	(7.7)	4.0	(10.7)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,327.8	3,778.4	4,137.4
Trade and other receivables	1,526.7	1,675.8	1,642.1
Due from related parties	1,108.0	667.7	558.0
Investment at fair value through profit or loss......................................	–	–	131.3
Available-for-sale investments	250.9	440.8	–
Prepayments and other assets	388.1	446.1	647.5
Total Current Assets	4,601.5	7,008.8	7,116.3
Noncurrent Assets			
Property and equipment.....................	840.5	976.1	1,436.1
Intangible assets	266.0	356.9	555.4
Investment at fair value through other comprehensive income	–	–	337.5
Available-for-sale investments	458.4	444.7	–
Deferred tax assets............................	274.4	289.5	302.3
Security deposits...............................	226.3	255.4	312.4
Investment in an associate	–	–	239.0
Advances for future investment in shares	–	–	439.8
Goodwill	–	–	492.4
Other noncurrent assets	70.1	92.2	139.0
Total Noncurrent Assets	2,135.7	2,414.8	4,253.9
Total Assets	**6,737.2**	**9,423.6**	**11,370.2**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,295.1	1,603.1	2,806.2
Due to related parties.........................	18.3	2.5	94.0
Dividends payable	–	–	285.2
Current portion of notes payable	666.7	440.1	297.0
Transmissions liability......................	467.3	588.2	543.9
Income tax payable	254.8	125.0	126.5
Current portion of lease liabilities	50.8	30.7	20.3
Total Current Liabilities	2,753.0	2,789.6	4,173.1
Noncurrent Liabilities			
Derivative liability............................	–	1,860.4	1,406.2
Bond payable	–	896.2	1,108.4
Retirement benefit liability	721.0	705.3	672.3
Notes payable-net of current portion	692.5	601.3	532.5
Lease liabilities – net of current			

	As of December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
portion	73.2	87.0	119.8
Other non-current liabilities	34.5	118.3	79.9
Total Noncurrent Liabilities........	1,521.2	4,268.5	3,919.1
Total Liabilities	**4,274.2**	**7,058.1**	**8,092.2**

	As of December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
Equity			
Equity attributable to shareholders of the parent company			
Capital stock....................................	1,425.9	1,425.9	1,425.9
Retained earnings............................	782.4	659.3	1,625.5
Accumulated comprehensive income..	305.7	326.9	241.3
Non-controlling interests	(51.0)	(46.6)	(14.7)
Total Equity...................................	2,463.0	2,365.5	3,278.0
Total Liabilities and Equity	**6,737.2**	**9,423.6**	**11,370.2**

SUMMARY CASH FLOW INFORMATION

	For the years ended December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
Net cash provided by operating activities..	800.6	1,386.3	1,616.8
Net cash used in investing activities ...	(603.0)	(834.6)	(910.5)
Net cash generated from (used in) financing activities............................	154.9	1,923.0	(472.1)
Net increase in cash and cash equivalents	352.5	2,474.7	234.2
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.8)	(24.1)	124.8
Cash and cash equivalents			
Beginning of year/period.................	979.1	1,327.8	3,778.4
End of year/period..........................	1,327.8	3,778.4	4,137.4

KEY PERFORMANCE INDICATORS

The tables below sets forth key performance indicators for the Company for the years ended December 31, 2016, 2017 and 2018.

Financial Key Performance Indicators

	For the years ended December 31		
	2016	2017	2018
	audited	audited	audited
Gross profit (service fees less cost of services) (₱ millions)........	3,104.9	3,414.1	3,950.6
Operating income(1) (₱ millions)..................................	1,386.2	1,438.8	1,603.5
EBITDA(2) (₱ millions)	1,681.6	1,568.2	2,412.5
EBITDA margin (3)(%)...............	19%	16%	19%
Net income (4) (₱ millions)...........	913.9	707.9	1,349.0
Net profit margin (5) (%)	11%	7%	11%
Total debt(6) (₱ millions).............	1,480.9	4,033.8	3,553.8
Net cash(7) (₱ millions)	(153.1)	(255.4)	583.6

Notes:

(1) Operating income is calculated as income before income tax, interest expense-net and income (expense) related to convertible bonds.

(2) EBITDA is calculated as income before income tax plus depreciation and amortization and interest expense-net. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Group's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Group's presentation of this measure may not be comparable to similarly titled measures used by other companies.

(3) EBITDA as a percentage of service revenues.

(4) Net income before other comprehensive income.

(5) Net income as a percentage of service revenues.

(6) Total debt includes notes payable (current and non-current portion), lease liabilities (current and non-current, excluding deferred lease liability from PAS 17 adjustment), convertible instrument and other liabilities (including current portion presented under Accounts Payable).

(7) Calculated as total cash and cash equivalents less total debt.

Operational Key Performance Indicators

	For the years ended December 31,		
Logistics	2016	2017	2018
On time delivery rate (1)..............	90.0	89.4	89.4
Acceptance/pickup for the year for the Group			
Air Cargo (₱).........................	4,217,614,645	5,077,999,645	6,522,637,350
Sea Cargo (₱)	927,751,210	1,024,820,287	1,422,121,427
Courier (₱).............................	1,787,039,428	1,952,377,599	2,328,208,343
On line logistics (₱)...............			628,256,475
Other revenue (₱)(2)	320,721,404	492,497,509	446,599,396

Acceptance/pickup for the year for affiliates[3]			
Air Cargo (₱)	18,120,057	22,738,655	16,743,600
Sea Cargo (₱)	209,748,574	194,489,294	185,057,272
Courier (₱)	2,429,950	2,433,750	1,846,150
Others (₱)		2,730,865	
Number of couriers [4][5]	1,776	2,189	4,234
Productivity per courier [5][6]	71	70	74
Sorting efficiency (%) [7]	99.80%	99.83%	99.69%
Number of corporate customers[8]	1,723	1,928	2,729

Notes:

(1) With exemptions of extreme situations (i.e., house closed, force majeure, etc.); also includes Pesopak deliveries (i.e., remittance deliveries made directly to beneficiary's doorstep).

(2) Includes Print and Mail and Specialized Corporate Solutions services

(3) Includes all affiliates of the Company. The Company only charges a service fulfilment fee for these transactions.

(4) Monthly average

(5) For Philippines only

(6) Average number of parcels or cargo delivered by the courier measured on a daily basis; computed based on six work days per week

(7) Percentage of correctly-routed items over total items accepted

(8) Numbers are as of December 31 of the respective years

	For the years ended December 31		
Remittances	**2016**	**2017**	**2018**
Domestic remittances			
Number of transactions	13,971,353	12,982,081	10,684,373
Fee income (₱)	984,754,927	829,893,761	720,696,098
Service locations[1]	3,849	3,921	4,101
International inbound remittances			
Number of transactions	1,709,000	1,714,258	1,539,608
Fee income (₱)	115,086,945	131,824,186	163,222,524
Bills Payment Collection and Corporate Remittance Payouts			
Number of transactions	15,288,730	15,775,923	15,444,990
Fee income (₱)	73,694,003	77,228,943	78,788,930
Service locations	1,249	1,321	1,397

Note:

(1) Includes Group owned branches and agent-operated locations

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares.

Investors deal in a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Group's business, financial condition and results of operations and cause the market price of the Offer Shares to decline or may cause investors to lose all or part of their investment in the Offer Shares.

This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the Offer or the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Common Shares and the Company from the SEC.

The risk favors discussed in this section are of equal importance and are only separated into categories for easy reference.

The means by which the Group intends to address the risk factors discussed herein are principally presented under the captions "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry," and "Board of Directors and Senior Management – Corporate Governance" of this Prospectus.

RISKS RELATING TO THE GROUP'S BUSINESS

A significant portion of the Group's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which expose the Group to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.

The Group derives a significant portion of its revenues and operating profits from its operations in the Philippines and its businesses are generally dependent on the state of the Philippine economy. Demand for, and prevailing prices of the Group's services may be related to the strength of the Philippine economy (including overall GDP growth levels, inflation and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The state of the Philippine economy and, in turn, the Group's business, is also influenced by the general condition of the regional and global economy. For example, as a result of the Asian financial crisis that began in 1997, the Philippine economy went through a sharp downturn in the late 1990s. This downturn was further exacerbated during 2000 to 2001 by the political crisis resulting from the impeachment proceedings against, and the subsequent resignation of, former President Joseph Estrada. Most recently, the global financial downturn also resulted in a general slowdown of the global economy in 2008 and 2009, protracted by the ongoing Eurozone crisis, all of which have directly and indirectly affected the Philippines.

The full-year 2018 economic growth stood at 6.3%, a bit slower than in the first half of 2018 at 6.4%. This can be accounted by lower household spending, slower growth in total investments, and increased government capital and operating expenditure. Household spending weakened due to the inflation reaching record highs in the third quarter at 6.2%. The country's inflation rate further increased to 6.7% in October, albeit alleviated in the latter two (2) months due to the consecutive interest rate hike, the initiation of non-monetary measures against inflation, and holiday spending. A drop in global crude oil prices leading to rollbacks in retail fuel prices also led to a sharper and faster than expected fall from the October peak inflation level. The tightening of the trade deficit offset the drop in investments in capital formation during the fourth quarter, which grew by 5.5% vs. the previous year's 8.3%. It is said to be affected by base effects from the front-loading of commercial vehicle purchases in the fourth quarter of 2017, ahead of the implementation of the higher automobile excise tax under TRAIN 1. Furthermore, the growth in investments in industrial machineries and equipment slowed to 6.1% in the fourth quarter versus the first three quarters of 2018.

In March 2019, inflation eased to a 15-month low of 3.3% as increases in prices of food and beverages continued to slow down. A Philippine Statistics Authority (PSA) report showed that the year-on-year rate of increase in prices of basic commodities in March 2019 was the lowest since the 2.9% posed in December 2017. Prices in seven (7) commodity groups decelerated in March 2019, namely: (a) food and non-alcoholic beverages; (b) alcoholic beverages and tobacco; (c) housing, water, electricity, gas, and other fuels; (d) furnishing, household equipment, and routine maintenance of the house; (e) health; (f) communication and restaurant; and (g) miscellaneous goods and services. The increase of 3.4% year-on-year on the heavily weighted food and non-alcoholic beverages index in March 2019 was the slowest in 2019 as corn prices dropped while those of rice, fish oils and fats, fruits, vegetables, and sweets like sugar, jam, honey, chocolate, and confectionary, recorded slower inflation.

In April, several agencies revised its growth forecast for the Philippines. The Asian Development Bank (ADB) has cut its 2019 growth forecast for the Philippines to 6.4% versus its previous forecast of 6.7% amid slower global demand and the potential negative impact of the prolonged dry spell due to the El Niño on the economy. The International Monetary Fund (IMF) reduced its 2019 growth forecast for the Philippines to 6.5% from 6.6% previously, in line with less rosy global economic prospects where its expects global economic expansion to slow down to 3.3% against the 3.6% growth last year and its earlier projection of 3.7% in October 2018. Fitch Ratings also reduced the country's GDP growth forecast to 6.2% versus its original growth forecast of 6.6% for 2019 and to 6.3% from the original target of 6.6% for 2020 due to the delayed passage of the 2019 national budget, the series of rate hikes by the Bangko Sentral ng Pilipinas, and the trade war between the US and China. At present, the Government's downgraded target ranges from 6.0% to 7.0% for 2019 and 6.5% to 7.5% for 2020.

There is no assurance that an economic slowdown in the Philippines will not continue. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- foreign exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;

- changes in the Government's taxation policies and laws;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- other regulatory, political or economic developments in or affecting the Philippines and elsewhere globally, such as the 2008 global financial crisis; and
- a re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu) or the emergence of another pandemic in the Philippines or in other countries in Southeast Asia.

There is a degree of uncertainty regarding the economic and political situation in the Philippines. This uncertainty could have adverse effects on the revenues from the Group's businesses as these factors could reduce the growth of consumer spending, which in turn could lead to a reduction in the volume and frequency of shipments made by the Group's customers, or the amount and frequency of remittance payments transacted. Such uncertainty could also impose practical limits on pricing and adversely affect the Group's results of operations. In addition, any political instability, including major public protests and terrorist activities, could result in disruptions in sea, air and ground transportation, increased security costs for the Group, and heightened risk of damage to its branch locations, all of which could result in a material adverse effect on the Group's operations. See *"Risk Factors – Risks Relating to the Philippines"* on page 53 of this Prospectus. There can be no assurance that the political environment in the Philippines will stabilize and any political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Group's business, financial conditions, results of operations and prospects. Further, while the Group has stringent internal control systems in place, the high level of corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties.

At present, the Group operates through agents and subsidiaries in 30 countries as part of its international operations. Furthermore, the Group is in the process of completing the acquisition of affiliate companies that operate in the US, Singapore, Australia, Brunei and Taiwan. The Group continues to look for opportunities in expanding internationally through capturing underserved markets, such as the mid-western United States, the Greater Toronto Area in Canada, and the Middle East. As part of its strategy to broaden and diversify its international coverage, the Group will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

The Group's business is particularly dependent on the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.

The Group's ability to provide reliable service in both its Logistics and Money Transfer Services businesses largely depends on the efficient and uninterrupted operation of its computer network systems. The Group's Logistics business involves the movement of large quantities of parcels and cargo to dispersed locations on a time sensitive basis, as well as the management of data in relation thereto. The Group's ability to quickly and correctly obtain, process and transmit data related to inventory, routing, freight rates, transport costs and container locations is critical to the effective and timely provision of its courier and freight forwarding services. Likewise, the Group's computer systems for managing its real-time remittance fulfillment services and bills payment collection services are critical to ensuring that transactions are properly settled, mismatches are addressed immediately, branch locations are properly funded to meet anticipated encashment needs and fraudulent and suspicious transactions are detected in a timely manner. Consequently, the success of the Group's business particularly depends upon the efficient and error-free handling of such transactions and data, and a breakdown of or disruption to any of these systems could materially affect the relationships that the Group has with its customers, its reputation and its operating costs and margins.

A breakdown, catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), security breach, improper operation, improper action by its employees, agents, customer financial institutions or third party vendors or any other event affecting its systems or processes could result in financial loss, loss of customers, regulatory sanctions, lawsuits and damage to the Group's reputation or consumers' confidence in the Group's businesses. The measures that the Group has enacted, such as the implementation of disaster recovery plans and redundant computer systems managed by its IT services provider, may not be successful. Any such failure of the Group's IT systems could result in temporary or sustained cessation of business, which would have a material adverse effect on its business, financial condition and results of operations. Moreover, critical Internet infrastructure in the Philippines remains underdeveloped. Consequently, the likelihood of Internet blackouts or outages pose a more significant risk in the Philippines than in other countries with a more sophisticated Internet infrastructure. Even in the absence of blackouts and outages, the general speed and reliability of Internet connection in the Philippines can create operating inefficiencies and inconsistencies for the Group's business.

The Group may also experience problems other than system failures, including software and hardware defects, development delays, installation difficulties as well as learning costs related to technological transitions, which could harm its business and reputation and expose the Group to potential liabilities and increased operating expenses. In addition, any work stoppages or other labor actions by employees who support the Group's systems or perform any of its major functions could adversely affect the Group's business. The Group does not maintain business interruption insurance (see "*Risk Factors – Risks Relating to the Group – The Group may not have adequate insurance to cover all potential liabilities or losses"* on page 42 of this Prospectus) and would, as a result of any significant system interruptions or system failures, face lost income during such downtimes.

In order to safeguard against unanticipated interruptions in its business, the Group has instated the following business continuity plans and procedures:

- *Branch Operation.* In cases of power interruption, all branches of LBC Express, except mall branches, are equipped with power generators with ample supply to continue running operations without disruption. Furthermore, LBC Express is also able to operate offline through padded receipts and data sending through SMS.

- *Information Technology*. With respect to technology, the Group ensures that valuable information is protected by having back-up servers and subscription to private cloud services managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, the Group has in place a back-up system whereby communication is maintained through traditional mobile text messaging.

- *Transportation (Logistics).* Although the Group relies on airline and shipping carriers for its daily freight forwarding operations, it also has in place alternative procedures in the event that an airline or shipping carrier is unavailable. For example, when flights are grounded due to severe weather conditions, the Group's vehicle fleet is capable of making deliveries by ground. Although ground deliveries may take longer than air cargo shipments, this enables the Group to continue its service even when other modes of transportation may be unavailable. When its usual shipping carriers are unavailable, the Group also makes use of its vehicle fleet. The vehicles can make deliveries to any region accessible by land, or can make use of RORO ("roll-on-roll-off") car ferries to reach locations that require sea transport within the Philippines.

- *Funding Insufficiencies (Remittances).* Although the Global Remittance Team monitors and makes daily estimates of the funding needs of each branch, on occasion, there may be insufficient funds at a given location to encash a remittance. In such a case, LBC Express has in place procedures for either nearby branches to deliver the necessary sums, or for authorized personnel to withdraw the cash from one of the LBC Express' local bank accounts.

The Group's successful operation depends to a large extent on the quality of its IT systems; therefore, if the Group is unable to adapt to rapid technological changes, its business could suffer.

The Group's ability to continue to provide services to a growing number of consumers, as well as to enhance its existing services and offer new services, is dependent to a large extent on the quality of its IT systems. If the Group is unable to effectively manage the technology associated with its business, it could experience increased costs, reductions in system availability and loss of agents or consumers. Any failure of its systems in scalability, reliability and functionality could adversely impact its business, financial condition and results of operations.

LBC Express is currently implementing a series of technology upgrades (see *"Business – Information Technology"* on page 122 of this Prospectus) and believes that its IT systems in their present format represent one of its competitive strengths. However, its competitors may at any time develop similar or better systems. The introduction of services embodying new technologies could render the Group's existing services and features obsolete or less attractive to customers. In addition, the intended benefits of the Group's technology upgrades may fail to materialize or may cost more than expected. For example, the Group has invested in the put-to-light sorting technology for the processing of its non-bulk mail. It also provided all of its couriers with handheld scanners and implementing a new integrated technology system. While the Group believes that these improvements will enable it to remain competitive in its industry, there can be no assurance that these improvements will bring the operational efficiencies, increased capacity and cost-savings sought by the Group.

Moreover, even with the technology upgrades, some of the LBC Express' procedures are not yet fully automated. For example, certain steps in the sorting of parcels and cargo at the LBC Express' Central Exchange and regional distribution centers are still performed manually, which leaves the process more susceptible to human error. The Group expects to continue to commit significant financial resources, time, management expertise, technological know-how and other resources to the maintenance and further modification and enhancement of its IT systems in the future. However, there is no guarantee that its IT systems in their present format, or any improvements and new developments thereto, will yield the desired results, and there can be no certainty that costs incurred in this respect will result in improved operational efficiency and/or cost savings. If the Group is not successful in achieving anticipated benefits through maintaining, improving and continuing to develop its IT systems, its operational efficiency and cost structure relative to its competitors could deteriorate. This could have a material adverse effect on its business, financial condition and results of operations.

To mitigate these risks, the Group keeps abreast with the technological development in the logistics and money transfer services industries. At present, LBC Express is in the process of implementing a logistics solution from Ramco Systems targeted for parcel/courier service providers, forwarders, and 3PL companies. This logistics software solution covers the whole logistics business operations from transportation to warehousing to order management. The current IT landscape consists of several applications where the information for the same parameter is available in different parts of the system. Ramco Systems' logistics solution allows LBC Express to standardize all facets of the logistics business into one technology and application platform thus eliminating redundancy in operations and achieving absolute data integrity and scope for planning and optimization. In addition, LBC Express provided each of its couriers with handheld scanners, which aim to increase efficiency and minimize human error in documenting daily pick-ups and deliveries. LBC Express also uses put-to-light sorting technology for its non-bulk mail, which helps automate some aspects of the parcel sorting process, which are traditionally completed manually. This technology was implemented in 2015.

The Group may not be successful in implementing the new IT system.

As part of the Group's key strategies, LBC Express is currently transitioning from its existing in-house developed legacy system to a more robust customer-driven platform. LBC Express is currently working with Ramco Systems, a leading logistics IT provider to develop and enhance its current IT infrastructure.

There is no assurance that the Group will not experience difficulties in the implementation of a new IT system, [or that it will be able to effectively integrate its existing processes into the new system]. In addition, there can be no assurance that the implementation of a new IT system will produce the desired improvements in timeliness and quality of the Group's operations. Any failure of the Group to properly implement the system, or to effectively integrate the upgrades or the new system across the entire organization, may not produce the desired efficiencies, which may in turn have a material adverse effect on its results of operation and financial condition.

Nonetheless, the Group is optimistic that given the track record of Ramco Systems as a leading logistics IT provider, the transition to and implementation of a new IT system will be seamless, and will achieve the desired results of the Group.

Ramco Systems Ltd. is an enterprise software company initially established as a division of Ramco Industries Limited in 1992 and as its own enterprise in 1997. It is based in Chennai, India with 24 offices spread across India, USA, Canada, Europe, Australia, Middle East, South Africa, and Asia Pacific. Ramco Systems provides multi-tenanted cloud and mobile based enterprise software in the area of human capital management and global payroll, enterprise resource planning (ERP), maintenance & engineering (M&E), and maintenance, repair, and operations (MRO) for Aviation.[1] Ramco Systems is listed on the Bombay Stock Exchange (BSE)[2] and the National Stock Exchange of India (NSE)[3], and is part of the Ramco Group of Companies, a US$1.0 billion diversified conglomerate involved in hardware, print, design & branding, stainless steel, electrical cables, plastic tanks & pipes, IT & stationery, hire purchase, building supplies, packaging, press consumables, dairy processing solutions, chemicals, office automation, ICT solutions, and travel.[4]

The Group does not own the perpetual license of its IT software and may be unable to renew its licenses at the end of their respective terms or obtain new licenses on acceptable terms.

The Group does not own the perpetual use license for its software and the use of the license for the software is normally renewable periodically. In the event that the Group is not able to renew its software licenses at acceptable terms, the Group's operating and financial results may be adversely affected.

[1] http://www.ramco.com/about/
[2] https://www.bseindia.com/stock-share-price/ramco-systems-ltd/ramcosys/532370/
[3] https://www.nseindia.com/live_market/dynaContent/live_watch/get_quote/GetQuote.jsp?symbol=RAMCOSYS
[4] http://www.ramco-group.com/

While the Group relies on software providers for the use of their systems for its key operations, these software providers are by no means the only providers of such software in the market. There are a number of software providers that provide similar systems and technology with the same functionality. In the event that current software providers will not renew the software licenses on acceptable terms, the Group believes that other software providers will be available to provide similar and comparable systems as alternatives.

The Company may not be successful in implementing its acquisition strategies or manage its acquisitions effectively.

A component of the Company's business strategy includes growth through strategic acquisitions. See *"Business – Key Strategies – Selectively Pursue Acquisition Opportunities"* on page 98 of this Prospectus. The Company's expansion historically has been exclusively through organic expansion and it has no past record of making any strategic acquisitions. There can be no assurance that the Company will be able to identify suitable acquisition targets, successfully bid on, finance and execute acquisitions, negotiate an earnings-accretive purchase price or successfully integrate acquired businesses, retain and integrate key employees of acquired companies or address new business risks not currently faced by the Company. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, the Company may decide to delay, modify or forego some aspects of its growth strategies, and this could have a material adverse effect on the Company's financial condition and results of operations as well as its future growth prospects.

In addition, completing acquisitions could require use of a significant amount of the Company's available cash, which could potentially exceed the proceeds of the Offer, and thus require the incurrence of further financial leverage, which would increase risks to the Company's financial condition, results of operations and liquidity. Acquisitions and investments may also have negative effects on the Company's reported results of operations due to acquisition-related charges, amortization of acquired technology and other intangible assets and/or actual or potential liabilities, known and unknown, associated with the acquired businesses or joint ventures. Moreover, completing an acquisition may result in diversion of Company management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients or inability to leverage synergies, rationalize operations, or develop the skills required for new businesses and markets. Any of these could result in a material adverse effect to the Company's business, prospects and results of operations.

The Company targets acquisitions using a bolt-on model whereby it does the acquisition to provide it with a significant comparative advantage but at a lower cost than would be required for it to implement the activities of the target on its own. To ease the transition, the Company targets companies with a similar nature to make the transition post-acquisition as close to seamless as possible.

The Company believes that the experience of its senior management team in running its logistics and money transfer service businesses can be replicated in the operations of its newly acquired companies. Such experience should help mitigate the risks involved in managing these acquisitions.

The Company may not be successful in expanding its domestic branch network and its product offerings.

LBC Express also intends to continue expanding its domestic branch network organically by opening new branches within the Philippines, as well as continue to increase its product offerings, particularly in the corporate sector. Organic expansion of LBC Express' domestic network and the increase in its product and service offerings will expose it to a number of risks and challenges including, among others, the following:

- LBC Express may fail to open branches in desirable or economically beneficial locations;

- LBC Express may fail to achieve additional economies of scale through its planned expansion of its branch network;

- new and expanded business activities may require greater construction, marketing and compliance costs than LBC Express' traditional services;

- new and expanded business activities may have less growth or profit potential than LBC Express anticipates and there can be no assurance that new business activities will become profitable at the level LBC Express desires or at all;

- LBC Express may record losses or experience branch closures as a result of overly-rapid expansion and failure to effectively assess market conditions prior to expanding;

- LBC Express may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;

- LBC Express may need to further enhance the capability of its IT systems to support a broader range of activities; and

- LBC Express may not be able to identify or retain qualified staff for its new branches or businesses.

Any of these could result in a material adverse effect to LBC Express' business, prospects and results of operations.

To mitigate these risks, LBC Express is applying the following:

- on branch openings and closures, LBC Express always identifies opportunities from which a retail branch can thrive. Typically, common general conditions would be (1) foot traffic, (2) increased population, (3) increased business activity, (4) presence of commerce and other industries or retail establishments, and (5) competitor presence, among others.

- on increasing expenses due to business activities, LBC Express always ensures that the expenses are guided by their annual budget allocation for general and administrative expenses.

- on the failure to identify new services, the Group is always looking for strategic acquisition opportunities that have synergies with the Group's existing products and services, whether these will provide the Group with the platform or know-how to expand into new business areas and whether these will provide synergies in terms of efficiencies and revenue generation.

- on retaining qualified staff for its new branches or business, LBC Express offers an industry-competitive compensation package, and other benefits, such as, a non-contributory defined benefit plan covering all qualified employees in the Philippines and early retirement option for its employees with a tenure of 10 years involving a severance pay-out, among others.

The Group may not be able to expand into new geographical markets or develop its existing international operations successfully, which could limit the Group's ability to grow and increase its profitability.

The Group's long-term strategy includes developing the Group's existing operations outside of the Philippines and potentially entering into new geographical markets. The Group believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada, and the Middle East. The Group believes that consolidating the LBC business will further solidify the group forming new synergies and generating revenue.

The Group faces the risk that it may not be able to establish branches or subsidiaries, or to form partnerships and attract agents to horizontally expand its operations in countries in which it already has operations, or to invest in new geographical markets to strengthen the Group's international operations. If the Group fails to further develop its international operations or enter new markets or countries in a strategic manner, it may not be able to continue to grow its revenues and earnings. Furthermore, the Group operates in industries that are subject to significant regulation, and the Group's lack of familiarity with the regulatory landscape in new markets may result in its running into unanticipated problems or delays in obtaining the requisite regulatory approvals and licenses. The Group may not be able to successfully expand in such markets due to its lack of experience. Moreover, it may not be able to execute its strategy in its existing international operations successfully, which may result in losses or limit the Group's growth prospects. In addition, expanding internationally subjects the Group to a number of risks, including:

- greater difficulty in managing foreign operations;
- expenses associated with localizing the Group's products, including offering consumers the ability to transact in major currencies;
- potentially higher labor costs and problems integrating employees that the Group hires in different countries into the Group's existing corporate culture;
- laws and business practices that favor local competitors;
- competition from larger, established international competitors;
- multiple and changing laws, tax regimes and government regulations;
- foreign currency restrictions and exchange rate fluctuations;
- changes in a specific country's or region's political or economic conditions; and
- differing intellectual property laws.

Global operations also expose the Group to numerous and sometimes conflicting legal and regulatory requirements, and violations or unfavorable interpretation by authorities of these regulations could harm the Group's business. If the Group is not able to successfully manage these and multiple other risks associated with global operations, the Group's business, financial condition and results of operations could be materially adversely affected.

The Group believes that the experience of its senior management team in running its logistics and money transfer service businesses can be replicated in the operations of its acquired companies. Such experience should help mitigate the risks involved in managing these acquisitions.

The Group is dependent on the market recognition of the "LBC" brand and other registered trademarks that may be subject to infringement and non-extension of the license to use "LBC" marks.

The Group uses a variety of registered names and marks, including the names "LBC Express, Inc.", "LBC Express", "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "www.lbcexpress.com" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We like to move it"), the "Team LBC Hari Ng Padala" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" logo, which is owned directly by LBC Express, these marks are owned and licensed to LBC Express by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. See *"Business – Intellectual Property"* on page 124 of this Prospectus.

Moreover, the "LBC" brand is licensed to other companies and organizations owned by LBC Development Corporation or common beneficial shareholders of LBC Development Corporation that are wholly unrelated to the Company with respect to management and operations. The activities of such companies and organizations may nonetheless, by association, impact the Group's reputation. For example, in September 2011, LBC Bank (which was owned by some of the same beneficial shareholders as the Company) was placed into receivership and ultimately shut down by the BSP on the grounds of insolvency due to unsound banking practices. Though no wrongdoing has been found on the part of the Company as of the date of this Prospectus, the closure of the bank resulted in negative publicity for the "LBC" brand which led to a reduction in the Group's remittance business in the immediate aftermath. The Group's revenue and profits in the domestic remittance business were also negatively affected in the first half of fiscal 2012 as a result of the slowdown in business caused by the reputational damage. There can be no guarantee that future incidents relating to other companies and organizations bearing the "LBC" brand will not negatively impact the Group's reputation and business. Any event that hurts the "LBC" brand and reputation among consumers as a reliable provider of its services could have a material adverse effect on the Group's business, financial condition and results of operations.

Finally, LBC Express and LBC Development Corporation had recently undertaken a re-launch of the "LBC" brand, which began in November 2013 and was rolled out in phases over the course of fiscal year 2014. The re-launch included a change in the design of the long-established "LBC" logo, a new motto, a shift in emphasis in the corporate culture and other changes that the Group expects to benefit both its sales and its internal operations. See *"Business – Marketing and Sales"* on page 122 of this Prospectus. Nonetheless, the re-launch of the brand may not result in all or any of the benefits that the Group seeks, and customers who have long recognized the traditional "LBC" logo, motto and culture may not feel the same affinity toward the new branding measures. Failure of the new marketing strategy to achieve the aims sought by the Group, or any negative impact of altering a brand that has previously proven successful, may result in a material adverse effect on the Group's business, prospects and growth strategy.

The Group ensures the continued use of the "LBC" marks through the protection and build-up of the brand image by extending quality service to its clients.

To protect its brand image, the Group ensures that the brand and the related taglines are registered and kept current in all applicable jurisdictions. The Group, furthermore, remains vigilant in monitoring activities that may infringe on the LBC trademark and the Group's other trademarks. The Group has not experienced any trademark infringement in the past, but will not hesitate to prosecute any cases of trademark infringement, should this happen in the future. See *"Business – Intellectual Property"* on page 124 of this Prospectus.

The Group also has a dedicated team of marketing professionals who work closely with highly competent advertising and research agencies to safeguard and enhance the LBC brand. The team follows established guidelines to ensure consistency and effectiveness of positioning and message. Throughout the years, LBC Express has received numerous marketing awards and industry citations and awards to include Readers Digest Trusted Brand Platinum Award Airfreight and Courier Category 2017, Readers Digest Trusted Brand Gold Award Remittance Category 2017, The Filipino Times Preferred Freight Forwarding Company in the Middle East 2015-2016, The Filipino Times Preferred Remittance Service Provider in the Middle East 2015-2016, TFC Champion of the Filipino Consumer Award 2015, Silver Anvil Award for LBC "Moving Spaces" Public Relations Category 2015, Silver Anvil Award for LBC "#moveitformanny" Public Relations Tools Category 2015, Araw Values Bronze Award for #moveitformanny, branded communications category 2014. See *"Business – Competitive Strengths"* on page 93 of this Prospectus.

If consumer confidence in the Group and the "LBC" brand deteriorates, the Group's business, financial condition and results of operations could be adversely affected.

The Group's business is built on consumers' confidence in the "LBC" brand, as well as the Group's ability to provide fast and reliable delivery and cash fulfillment services. As a consumer business, the strength of the "LBC" brand and reputation are of paramount importance to the Group. A number of factors could adversely affect consumer confidence in the Group's business and the "LBC" brand, many of which are beyond the Group's control. These factors include:

- any regulatory action or investigation against the Group or any other affiliate using the LBC Marks;
- any significant interruption in the Group's systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or disruptions in the Group's workforce;
- any breach of the Group's security system or any compromises of consumer data;
- local or foreign legal requirements, including those that require the Group to provide consumer data protection to a greater extent than is currently required;
- actions of employees or other Group representatives, within the scope of work or otherwise, that reflect poorly on the Group; and
- reputational concerns resulting from actual or perceived events, including those related to fraud.

In addition, the Group is largely dependent on LBC Express' agents and affiliates to which LBC Express licenses its services to maintain the reputation of the "LBC" brand. Despite the measures that LBC Express puts in place to ensure their compliance with the Group's performance standards, LBC Express' lack of control over their operations may result in the low quality of service of a particular agent or affiliate being attributed to the "LBC" brand, negatively affecting the Group's overall reputation. Negative publicity surrounding any assertion that LBC Express' agents and/or merchants are implicated in fraudulent transactions, irrespective of the accuracy of such publicity or its connection with the Group's current operations or business, could also harm the Group's reputation.

The Group recognizes that consumer confidence in the Group and the LBC brand may affect the Group's business, financial condition, and results of operations. In this regard, the Group has its own team of legal personnel who closely monitors any regulatory action or investigation against the Group or any of its affiliates using LBC marks. Furthermore, the Group's information technology department ensures that system interruptions will have minimal impact on the Group's business, in as much as it can prepare for it, such as the employment of uninterruptible power supplies (UPS), employment of generators in all locations, except for mall-based branches, and data backup. The Group also employs virus protection and intrusion prevention/detection software and the implementation of security policies to prevent compromises in consumer data. The Group also ensures that all employees of the Group uphold corporate governance and professional ethics at all times. The Group holds orientations to its employees on the strict rules and regulations and code of conduct. The Group also continuously reviews existing policy procedure manuals in the aim of improving these.

LBC Express relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on LBC Express' business.

LBC Express relies on third party contractors to provide critical services in connection with its Logistics business. Most notably, LBC Express does not own its own air fleet or shipping vessels and instead forwards shipments on commercial carriers such as, among others, Cebu Pacific Air and Philippine Airlines (for domestic air cargo shipments), Air Asia (for international air cargo shipments) and Oceanic Container Lines, Inc., 2Go Freight and Asian Marine Transport Corporation (for domestic sea cargo shipments). LBC Express relies on these carriers to provide the appropriate crew, insurance and maintenance of their respective vessels, as well as timely and reliable service. In addition, LBC Express relies on Orient Freight International, an international freight forwarder, to arrange for the shipping (including selection of the international shipping company) of all international sea cargo it handles, as well as customs brokers in the Philippines and other jurisdictions in which it has operations to facilitate the customs clearance of all items in international transit. Furthermore, LBC Express also relies on third party contractors to provide trucking service to supplement LBC Express' trucking fleet. There can be no assurance that the services rendered by such third party contractors will be satisfactory and match the quality levels required by LBC Express. Furthermore, there is a risk that domestic airline carriers such as Cebu Pacific Air and Philippine Airlines may lack the capacity to meet LBC Express' volume requirements as LBC Express' business grows and its throughput increases. If third party contractors are unable to render their respective services in a manner satisfactory to LBC Express' qualitative or quantitative requirements, LBC Express may in turn be unable to render services to its customers or may face reputational damage for poor service, which could result in a material adverse effect on LBC Express' business, financial condition and results of operations. Additionally, LBC Express faces concentration risk with respect to its third party contractors. In particular, it relies exclusively on two domestic airline carriers for its domestic air freight forwarding operations as of the date of this Prospectus. Because of the limited number of alternative domestic commercial airline carriers, unavailability or unsatisfactory performance of LBC Express' existing contractors could affect the ability of LBC Express to provide its services in a cost-effective and satisfactory manner, or at all. LBC Express may also be vulnerable to increases in the cost of services provided by such third party contractors, as it may have little bargaining power in a concentrated market. Accordingly, LBC Express business, financial condition and results of operation are heavily dependent upon third parties over whom it has limited control.

To mitigate this risk, LBC Express continues to review the performance of its third party contractors on a regular basis. In case the contract with a third party contractor is cancelled, LBC Express may ask other contractors to step-in and take over the services of the outgoing contractor. LBC Express does not expect that all third party contracts will be cancelled all at the same time. Furthermore, LBC Express also employs redundancy and other logistical methods to circumvent any major supplier failures e.g. the use of land and RoRo to deliver parcels and cargoes between the three major islands of Luzon, Visayas, and Mindanao.

As a freight forwarder, LBC Express assumes the primary responsibility of a common carrier for loss of, or damage to, goods in transit because it contracts for the delivery of the goods to their destinations, even if the air and sea transport services are actually provided by third parties.

The Group maintains insurance coverage when using its carriers. Nevertheless, there is no guarantee that such insurance is sufficient to cover all potential liabilities or losses. See *"Risk Factors – Risks Relating to* *the Group's Business – The Group may not have adequate insurance to cover all potential liabilities or losses"* on page 42 of this Prospectus. To mitigate these risks, the treatment of LBC Express as a common carrier increases the standard of diligence required in choosing its third party contractors as well as its concomitant potential liability for damages. See *"Regulatory – Regulation of Freight Forwarding in the Philippines – Freight Forwarder's Liability as a Common Carrier"* on page 206 of this Prospectus. There is no guarantee that vessels carrying the Group's cargo will not sink in the future. As a result, depending on the severity of any future incidents, the Group's business, financial condition and results of operation may be adversely affected.

The Group may not have adequate insurance to cover all potential liabilities or losses.

LBC Express maintains insurance policies with UCPB General Insurance Co, Inc., Philippine American Life and General Insurance Company and Chartis Philippines Insurance Inc., covering topics from all-risks to life insurance to personal accidents. The Group believes that the insurance it maintains is consistent with market practice in the industries in which it operates and has coverage in amounts that it believes to be adequate. See "Business – Insurance." However, the Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage to address all of these risks. For example, the Group does not purchase business interruption insurance. Because the Philippines is susceptible to major natural catastrophes, such as typhoons, floods, volcanic eruptions and others, that may materially disrupt and adversely affect the Group's courier, air cargo forwarding and Balikbayan boxes business (see *"Risk Factors – Risks Relating to the Philippines – The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations"* on page 57 of this Prospectus), as well as Internet blackouts and outages due to an inadequate telecommunications infrastructure (see *"Risk Factors – Risks Relating to the Group's Business – The Group's business is particularly dependent on the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations"* on page 32 of this Prospectus), the Group is at significant risk of business interruption from time to time due to events outside of its control. Any sustained business interruption could result in significant loss of income, for which the Group would not be covered by any insurance policy. Moreover, although the Group purchases general commercial "all risks" insurance coverage, there can be no assurance that the insurance coverage it currently maintains will fully compensate it for all of the damages and economic losses resulting from accidents and other unforeseen events, or that the Group will be able to renew such insurance policies at attractive rates or at all. The occurrence of any incident for which the Group is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations.

To mitigate these risks, the Group takes a prudent approach to its insurance coverage and considers financial management and cost control in applying for such coverage. The Group also works with insurance companies that are in good standing with the Insurance Commission of the Philippines and have a track record for expeditious settlement of claims.

The Group operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.

The Group is subject to competition in all areas of its business. With respect to its core business of courier, air cargo forwarding and Balikbayan boxes services, the Group faces competition from various Philippine companies. Although the Group has a leading position and significant market share in the domestic retail air freight forwarding industry, there can be no assurance that its competitors will not gain greater market share or name recognition in certain areas where the Group currently has a competitive advantage. If the courier and air freight forwarding industries in the Philippines undergo greater consolidation, the Group may lose some or a significant portion of its market share, or may face increased pricing competition. As the retail freight forwarding industry is particularly price sensitive, this would have a material adverse effect on the Group's margins, business, results of operations and financial condition and inhibit its ability to implement its growth strategy. Likewise, if existing laws in the Philippines that impose foreign ownership restrictions on air freight forwarding and private express and messengerial delivery businesses are liberalized, large international logistics and forwarding companies with greater access to capital, geographic reach, know-how, brand recognition and advanced technology may pose a significant threat to the Group's business and prospects. See *"Regulatory – Regulation of Freight Forwarding in the Philippines"* on page 201 of this Prospectus.

More recently, large conglomerates such as the SM, Ayala, and Metro Pacific groups, among others, have started to venture into the logistics industry through strategic acquisitions and investments into existing logistics companies. In 2016, the Metro Pacific Group entered in the logistics business to provide shipping, freight forwarding, and e-commerce services when it acquired the assets of Basic Logistics Corp., A1 Move Logistics Inc., Philflash Logistics Inc., BasicLog Trading and Marketing Enterprises. In addition, the Metro Pacific Group acquired a strategic investment in Air21 in 2017. In 2017, it purchased 522 new trucks and existing leased warehouse spaces. The Metro Pacific group's existing facilities are capable of handling the warehousing, distribution, and crossdocking requirements of local and international clients. In mid 2018, the Metro Pacific group acquired a 20.2-hectare property in General Trias Cavite where it plans to construct a large distribution center, tagged as South Mega Distribution Center, as it ramps up its warehouse operations. In early 2019, the Metro Pacific Group acquired a total of 27.8 hectares of properties in San Rafael, Bulacan aimed to be a mega distribution center, tagged as North Mega Distribution Center, that will cater to its existing and potential clients in the fast-moving consumer goods, consumer durables, and other industries. In 2017, the SM Group made a strategic investment in 2GO and CLC, two renowned logistics firms in the Philippines led by the Udenna Group. In 2018, the Ayala Group teamed up with Brillant 1257 GmbH &Co. Vierte Vewaltungs Kg (Brillant), a subsidiary of Zalora operator Global Fashion Group in forming a holding company that will have strategic investments in the courier and freight forwarding business to capitalize on opportunities in the growing e-commerce industry. The expansion of large conglomerates into the logistics may have an effect on the Company's market share.

With respect to its money transfer services business, the Group also faces significant competition from both banks and non-bank institutions in the Philippines that are licensed to process remittances. Established banks and other financial institutions may offer greater liquidity or superior foreign exchange rates and engender greater consumer confidence in the safety and efficacy of their services than the Group. Moreover, because established banks enjoy more sophisticated infrastructure and economies of scale for their remittance processing services, the Group may be disadvantaged in terms of cost competitiveness, which is key in a price-sensitive industry such as remittances. While the Group currently relies on its wide geographic reach to target unbanked Filipinos seeking money transfer services, there can be no assurance that the Group's remittance services will remain a viable business as the Philippine domestic economy grows and a greater number of consumers open accounts with traditional banks, or if traditional banks or other potential competitors are able to reach out to the currently unbanked population through technological or other innovation.

With respect to non-bank competitors in the Philippines, the Group faces competition from pawnshops that, like the Group, have a wide geographic reach and provide remittance services to unbanked customers. Although the Group has formed a partnership with one major chain of pawnshops, Palawan Pawnshop, the Group expects competition from pawnshops and other non-bank competitors to continue to intensify, which could result in increased pricing pressure, reduced profit margins and increased sales and marketing expenses, any of which could harm the Group's ability to increase or maintain its market share, which in turn would have a material adverse effect on its business, results of operations and financial condition. See *"Business – Competition"* on page 128 of this Prospectus.

In addition, the Group only recently expanded into certain areas that it has identified for growth, such as the corporate logistics business, the sea cargo forwarding industry, the international air forwarding industry and the E-commerce and payment platforms. Competition from more seasoned players in these industries may make it difficult for the Group to grow or sustain market share in these industries, which could also negatively affect the Group's core businesses as corporate resources are diverted. This could result in a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group believes that its competitive strengths provide it with confidence that it can effectively compete to maintain or increase its market share and maintain profitability. First, it is the leading provider of logistics in the Philippines with an extensive domestic network and broad global reach. Second, it is an iconic brand in the Philippines that is widely recognized for reliability, efficiency, and service excellence with over 60 years of operating history. Third, it has a highly scalable business operation with nationwide distribution network and robust IT infrastructure. Fourth, LBC Express is the leading provider of remittance services to both domestic and overseas unbanked Filipino population providing value-added services to customers with significant synergies with its core logistics service. Fifth, the Group is uniquely positioned to benefit from the surging demand for corporate logistics solutions. Lastly, the Group believes that it has a best-in-its-class management team with established track record in running the Group's logistics and money transfer service businesses.

If the Group ships or delivers hazardous or undisclosed illegal cargo, it could be subject to fines or penalties.

Although the Group has internal controls for screening all documents and cargo it ships, as well as procedures in place for handling highly sensitive items, there can be no assurance that these controls and procedures will be successful in detecting all illegal or contraband items that are placed in its consignment. If the Group fails to discover any undisclosed weapons, explosives, illegal drugs, currencies or other hazardous or illegal cargo, or if the Group mislabels, mishandles or otherwise ships hazardous materials in violation of local or foreign regulations, it may suffer liability, as well as fines and penalties, imposed by both the country of origin and the country of destination. In addition, the Group may suffer reputational damage if it is subjected to such penalties or liability. Any of these events could have a material adverse effect on the Group's business, financial condition and results of operation.

LBC Express continuously upgrades and invests in parcel, baggage, and small cargo x-ray inspection systems to detect weapons, explosives (including plastic explosives), drugs, fuses, and other dangerous objects that can represent a safety hazard. These machines have been rolled-out by LBC Express in all of its delivery hubs and distribution centers. Third party personnel who are well-trained in detecting hazardous or undisclosed illegal man these x-ray machines. Furthermore, the carriers also employ sniffer dogs to ensure further that no hazardous or undisclosed illegal cargoes are being shipped. In addition, LBC Express provides collaterals in the branches enumerating and illustrating prohibited items for deliveries via sea cargo and air cargo to deter senders from sending said items.

Any deterioration in the Group's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Group's operations.

The Group's success depends in large part on its ability to maintain a productive workforce. As of December 31, 2018, the Group employed 7,652 full-time workers, including drivers and couriers, branch associates, exchange associates and management and administrative associates. See *"Business – Employees"* on page 132 of this Prospectus.

Four of LBC Express' domestic subsidiaries (LBC MM, SMCCI, LBC SEM and LBC MIN) have entered into collective bargaining agreements with their respective employees, who are members of the labor union of their respective employers. Although the Group has not experienced any disruptive labor disputes in the recent past, any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Group's employee relations could result in the failure of the Group to meet its delivery or fulfillment obligations to customers, which, in turn, could drive customers to turn to competitors of the Group, resulting in lost profits, reputational damage and loss of consumer confidence for the Group, all of which would have a material and adverse effect on the Group's business, financial condition and results of operations.

In addition, recent and potential future increases in minimum wage levels in the Philippines could adversely affect the Group's profitability. Salaries and benefits are one of the major costs of services for the Group, accounting for 31.5%, 29.8% and 26.5% of the Group's total cost of services for the years ended December 31, 2016, 2017 and 2018, respectively. Consequently, any increase in labor costs in the Philippines that the Group is unable to pass on to customers without losing business volume could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group ensures that it is compliant with labor rules and regulations and government mandated benefits. In almost 30 years, LBC Express has not experienced any labor strikes or work stoppage. The Group's management believes that current general relations with its employees and workers, whether unionized, and/or under collective bargaining agreements, or not, are generally good and cordial.

The Group faces risks from increases in freight and transportation costs.

The Group incurs significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services. For the years ended December 31, 2016, 2017 and 2018, cost of delivery and remittance, which includes freight and transportation costs, were, ₱2,202.3 million, ₱2,791.4 million and ₱3,900.2 million, respectively, representing 39.4%, 42.3% and 45.5% of the Group's cost of services, respectively. Freight and transportation costs are significantly affected by a variety of factors, including fuel prices, the imposition of, or increases in, import or export taxes, vehicle taxes and duties, the supply of cargo space and other factors, many of which are beyond the Group's control. The inability to negotiate with contractors to maintain freight and transportation costs at commercially acceptable levels or the inability to pass on to the Group's customers any significant increases in freight and transportation costs may have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the inability to negotiate with contractors to maintain freight and transportation costs at commercially acceptable levels or the inability to pass on to the Group's customers any significant increases in freight and transportation costs may have a material adverse effect on the Group's business, financial condition and results of operations.

Freight and transportation costs of the Group generally refer to costs related to air and sea cargo. The Group engages the carriers in long-term contracts to hedge against cargo space price fluctuation. The Group furthermore closely monitors the demand during peak seasons to optimally utilize the pre-purchased belly space from the carriers. In addition, the effect of increases in fuel prices on the Group's own fleet is not material to the Group.

The Group does not own any real property and the Group may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.

The Group does not own any real property, and LBC Express' registered office, distribution centers, delivery hubs (secondary distribution centers), warehouses, branch offices and administrative office space are located in leased premises. LBC Express enters into lease agreements that are typically renewable at LBC Express' option at such terms and conditions which may be agreed upon by both parties. Most of the lease agreements for branch offices are for a term of three to seven years and include rental rate escalations during the term of the lease. The Group believes that the leases it enters into in the future will likely be on similar terms and have similar renewal options. See *"Business – Property and Equipment"* on page 131 of this Prospectus. However, if the Group is subject to substantial and/or unforeseen increases in rental rates upon renewal, its profitability may be materially and adversely affected. Likewise, if LBC Express is unable to renew the leases for its distribution centers, delivery hubs, warehouses, branch offices and administrative offices, LBC Express may be forced to close or relocate its operation centers, which could subject the Group to significant costs and risks, including loss of customer traffic. Moreover, certain spaces that LBC Express leases, such as the hangar in the General Aviation Center that serves as its corporate headquarters as well as the Central Exchange and is only renewable on a month-to-month basis, are not easily substituted given the specific uses for which they are applied. A need to relocate any of LBC Express' distribution center locations could have a material adverse effect on the Group's business, financial condition and results of operations.

In general, LBC Express' leases for its branches and offices average five (5) year terms. This excludes the leasing of the hangar since regulations dictate that this be renewed monthly. If, at any point, LBC Express is not able to renew its hangar lease agreement, LBC Express will move its operations to any of its other 14 distribution centers.

The Group faces risks from its remittance agents and affiliates.

A portion of the Group's money transfer, bill payment and money order business is conducted through independent agents as well as affiliates that provide the Group's products and services to consumers at their business locations. LBC Express' agents receive the proceeds from the sale of the LBC Express' payment instruments and money transfers, and LBC Express must then collect these funds from the agents. Accordingly, the liquidity of the LBC Express' agents and affiliates is necessary for its business to remain strong and for it to continue providing services. If an agent or affiliate fails to settle in a timely manner, LBC Express' liquidity could be negatively affected. Moreover, if an agent or affiliate becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit payment instruments or money transfer proceeds to LBC Express, it must nonetheless pay the payment instrument or complete the money transfer on behalf of the consumer.

In the event of an agent or affiliate bankruptcy, LBC Express may be in the position of creditor, possibly with limited security or financial guarantees of performance, and LBC Express would therefore be at risk of a reduced recovery. LBC Express is not insured against credit losses, except for limited coverage in circumstances of theft or fraud. Significant credit losses could have a material adverse effect on the Group's business, financial condition and results of operations.

To mitigate these risks, LBC Express monitors the creditworthiness of the its agents and affiliates. LBC Express' agents undergo credit investigations before they get partnered with LBC. Furthermore, the agents attends a BSP or an AMLC–accredited seminar before it can start operations, as well as attend refresher training at least every two years. It also requires most of its agents and affiliates to maintain a revolving advance coverage fund and imposes daily remittance fulfillment value limits for certain counterparties under the terms of their respective partnership agreements. See *"Business – Operations – Money Transfer*

Services" on page 118 of this Prospectus. Nonetheless, there can be no assurance that the models and approaches being adopted by LBC Express to assess and monitor the creditworthiness of its agents and affiliates will be sufficiently predictive, and LBC Express may be unable to detect and take steps to timely mitigate an increased credit risk.

The businesses of LBC Express are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the its operations and profitability.

LBC Express is subject to a variety of laws and regulations in the Philippines including, among others, those governing freight forwarding, transportation, labor, employment, consumer welfare and anti-money laundering. As far as LBC Express is concerned, it is compliant with all laws, rules, and regulations applicable to its logistics and money transfer services businesses, including environment laws.

To serve as a remittance agent in the Philippines, LBC Express is required to maintain a license issued by the BSP and to adhere to certain rules and regulations imposed by the BSP under the Manual of Regulations for Non-Bank Financial Institutions ("MORNBFI") and BSP Circular No. 471, series of 2005, despite it not being a BSP-supervised institution. These requirements include, among others, rules and regulations, particularly on customer identification, record keeping and reporting of covered transactions and suspicious transactions. If, for any reason, the terms of LBC Express' license are materially altered or revoked, its Money Transfer Services business will be adversely affected. There can be no assurance that LBC Express will be able to comply with all of the ongoing requirements of its remittance license in the future. Moreover, unlike non-bank financial institutions who are subject to additional banking regulations, specifically with respect to the disqualification of directors, officers and employees and BSP audit examination, non-bank remittance agents in the Philippines have thus far been lightly regulated in the Philippines by the BSP insofar as they have only been required to obtain a license from the BSP and are obliged to comply with Anti-Money Laundering Act of 2001. There can be no assurance that LBC Express will not become subject to stricter regulations and guidelines going forward, including rules imposed by other regulatory authorities in the Philippines, such as the Bureau of Internal Revenue ("BIR"), the AMLC, and international bodies, such as the Financial Action Task Force. If additional rules or regulations are introduced, LBC Express may incur substantial compliance and monitoring costs, and if LBC Express is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to, or permanently lose its ability to conduct, its operations and face reputational damage, which could materially and adversely affect the Group's business, financial condition and results of operations.

LBC Express is also subject to the regulations of the CAB, the Philippine Shippers' Bureau (the "PSB") and the Department of Transportation and Communication, as well as to regulation by local government units, with respect to its freight forwarding and messengerial services. Certain existing laws governing the air freight forwarding and messengerial delivery businesses in the Philippines are beneficial to LBC Express. For example, existing laws and regulations impose foreign ownership restrictions on the air freight forwarding and messengerial delivery businesses, thereby limiting competition from large international companies. See *"Philippine Foreign Exchange and Foreign Ownership Controls"* on page 260 of this Prospectus. In addition, because LBC Express' air freight forwarding and messengerial services are viewed as public utilities, the Secretary of the Department of Labor and Employment in the Philippines has the authority to intervene in the event of a strike staged by the LBC Express' employees and mandate that a settlement be reached. See *"Business – Employees"* on page 132 of this Prospectus. Any amendment by the Government to rules and regulations (or the interpretation of rules and regulations) that are currently favorable to LBC Express may result in a material adverse effect on its business, financial condition and results of operations.

LBC Express will continue to maintain its compliance with all laws, including environmental laws, so that its operations of its logistics and money transfer service businesses will not be cancelled or suspended by any valid order from the Government after observance of the required due process. Furthermore, LBC Express employs a team of legal personnel who closely monitors any changes in regulation or Government policies.

The Group is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Group, its agents and affiliates to comply with these laws and regulations and increased costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's international remittance services, primarily conducted by the other agents and affiliates, are subject to an increasingly strict set of legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies changes, often quickly and with little notice. Economic and trade sanctions programs that are administered by the United States Treasury Department's Office of Foreign Assets Control prohibit or restrict transactions to or from or dealings with specified countries, their governments and, in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. As United States federal and state as well as foreign legislative and regulatory scrutiny and enforcement action in these areas increase, the Group's costs of complying with these requirements will likely increase, perhaps substantially, or the Group's compliance will make it more difficult or less desirable for consumers to use its services, which would have an adverse effect on its revenue and operating profit. Failure of the Group or by its agents and affiliates, over whom the Group has limited legal and practical control, to comply with any of these requirements or their interpretation could result in the suspension or revocation of a license or registration required to provide money transfer, payment or foreign exchange services, the limitation, suspension or termination of services, the seizure of the Group's assets and/or the imposition of civil and criminal penalties, including fines and restrictions on the Group's ability to offer services.

The Group is also subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the United States and similar laws in other countries, such as the Bribery Act in the United Kingdom, which generally prohibit companies and those acting on their behalf from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Some of these laws, such as the Bribery Act, also prohibit improper payments between commercial enterprises. Because the Group's remittance services are offered in over 30 countries and territories around the world, it faces risks associated with FCPA and United Kingdom Bribery Act compliance. Any determination that the Group has violated these laws could have an adverse effect on the Group's business, financial condition and results of operations.

The remittance industry has come under increasing scrutiny from government regulators and others in connection with its ability to prevent its services from being abused by people seeking to defraud others. While the Group believes that its fraud prevention efforts are effective and comply with applicable law, the ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers during economically difficult times, make the prevention of consumer fraud a significant and challenging problem. The Group's failure to continue to help prevent such frauds and increased costs related to the implementation of enhanced anti-fraud measures, or a change in fraud prevention laws or their interpretation or the manner in which they are enforced, could have an adverse effect on the Group's business, financial condition and results of operations.

The Group will continue to maintain its compliance with U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activities. The Group provides constant training for its employees in respect to these laws and regulations. It further has a compliance officer who is in charge of reporting anti-money laundering activities to the department of business oversight in the various states in the United States. The Group also has a compliance committee that meets on a regular basis assessing compliance risks affecting the organization. Lastly, the Group employs a team of legal personnel who closely monitors any changes in any of these laws and regulations.

The Group faces risks from trade restrictions.

The Group is engaged in the international freight forwarding business to transport cargo worldwide. The Group's international freight forwarding business may be affected by trade restrictions implemented by countries or territories in which the Group's customers are located or in which products of the Group's customers are manufactured or sold. For example, the Group is subject to risks relating to changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to the business of the Group's customers. Actions by governments that result in restrictions on movement of cargo or otherwise could also affect the Group's ability to carry out its international freight forwarding operations. In addition, international trade and political issues, tensions and conflicts may cause delays and interruptions to cross-border transportation. If the Group is unable to transport cargo to and from countries in a timely manner or at all as a result of any changes in trade restrictions, the Group's business, financial condition and results of operations may suffer a material adverse effect.

The Group is engaged predominantly in the delivery of parcels and packages carrying general cargo. Hence, the Group is not confined and does not rely on one particular commodity. Moreover, the Group's domestic logistics segment accounts for 84% of total business activity for logistics services in 2017 and is less exposed to such risk.

Any inability of the Group to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.

Money transfers and payments to, from, within, or between countries may be limited or prohibited by law. Occasionally the Group's agents, their sub-agents or the Company's affiliates may be required by their regulators to cease offering the Group's services. The Group may in the future have difficulty securing renewals or issuances of new licenses for any number of reasons in geographical areas in which it seeks to expand, which may have a material adverse effect on its business, prospects, financial condition and results of operations.

The Group maintains a robust relationship with the various regulators where it operates with strict compliance of all implementing rules and regulations rendered by the governing regulatory body in relevant jurisdictions.

If the Company does not comply with its obligations under the Convertible Instrument issued to CP Briks, CP Briks may foreclose on the pledged LBC Express shares, which could have a material and adverse effect on the financial and operating results of the Company

On August 4, 2017 (the "Issuance Date"), pursuant to an Omnibus Agreement, the Company issued in favor of CP Briks the seven-year LBC Convertible Instrument in the aggregate principal amount of US$50.0 million, due 2024, or the seventh anniversary from the Issuance Date (the "Maturity Date"). The LBC Convertible Instrument was initially secured by a third-party pledge constituted by LBC Development Corporation over 51% of the outstanding capital stock of the Company owned and held by LBC

Development Corporation (the "Initial Security"), with the understanding and agreement that said Initial Security shall be replaced by a pledge over the LBC Express Shares (as defined below), upon shareholders' approval having been secured.

On August 29, 2017, the shareholders of the Company approved (i) the issuance of the LBC Convertible Instrument in favor of CP Briks and (ii) the constitution of a pledge over all of the Company's shares in LBC Express in favor of CP Briks. On October 3, 2017, consistent with the terms of the LBC Convertible Instrument, the Initial Security was discharged and the pledge over the shares of LBC Development Corporation in the Company was released. On the same date, a pledge was constituted by the Company over all of the Company's shares in LBC Express consisting of 1,041,180,504 common shares, representing 100% of the total issued and outstanding capital stock of LBC Express (the "LBC Express Shares").

While the Company continues to be compliant with its obligations under the LBC Convertible Instrument, there is no assurance that if the Company is unable to fully and timely perform such obligations, CP Briks will not call the Company in default and exercise its rights under the pledge. In the event of such a default, CP Briks may foreclose upon the pledge over the LBC Express Shares as a result of which the LBC Express, Shares may be sold via auction to the highest bidder, which may result in the change of controlling ownership in the Company. The sale of the LBC Express Shares in such public auction shall extinguish the outstanding obligation, whether or not the proceeds of the foreclosure sale are equal to the amount of the outstanding obligation. Under the terms of the LBC Convertible Instrument, if the LBC Express Shares are sold at a price higher than the amount of the outstanding obligation, any amount in excess of the outstanding obligation shall be paid to the Company.

While CP Briks may participate in the auction of the LBC Express Shares should there be a foreclosure, any such foreclosure of the pledge over the LBC Express Shares and any resulting acquisition by CP Briks of equity interest in LBC Express, the ownership in LBC Express will always subject to the foreign ownership restrictions applicable to LBC Express, which may not exceed 40% of the total issued and outstanding capital stock entitled to vote, and 40% of the total issued and outstanding capital stock whether or not entitled to vote, of LBC Express.

Pursuant to Article 2113 of the Civil Code of the Philippines, at the public auction sale, the Company may also bid on the shares, and the Company shall have a better right if it should offer the same terms as the highest bidder.

To mitigate these risks, the Company ensures, and is confident that it will be able to continuously ensure, its timely compliance with all of its obligations under the LBC Convertible Instrument to avoid any possible default under the terms thereof. Furthermore, given that the value of LBC Express in terms of revenues and assets is significantly more than the principal amount of the LBC Convertible Instrument, the Company is confident that it will have sufficient access to funding to service its payment obligations under the LBC Convertible Instrument. The Company is further working towards fulfilling the conditions provided under the terms of the LBC Convertible Instrument that would either induce CP Briks to convert the LBC Convertible Instrument into common shares of the Company or allow the Company to effect to opt for such conversion.

The Company is controlled by the Araneta Family, through LBC Development Corporation, whose interests may not be the same as those of other shareholders.

As of the date of this Prospectus, members of the Araneta Family, through LBC Development Corporation, beneficially owns a total of 1,206,178,232 shares in the Company, representing 84.58% of the Company's total issued and outstanding shares. Assuming the sale of 69,101,000 Offer Shares, the Araneta Family will have effective interest of 79.89% of the Company's outstanding Common Shares (including directly-owned and indirectly-owned Common Shares) upon the completion of the Offer. With such effective interest, the Araneta Family will continue to be able to elect members of the Board and pass shareholder resolutions (including special resolutions), both of which under the By-laws generally require a majority vote by its shareholders (or a two-thirds majority in the case of special resolutions). Accordingly, the Araneta Family exercises control over major policy decisions of the Group, including its overall strategic and investment decisions, dividend plans, issuance of securities, adjustments to its capital structure, mergers, liquidation or other reorganization and amendments to its Articles of Incorporation and By-laws. If the interests of the Araneta Family conflict with the interests of other shareholders of the Company, there can be no assurance that the Araneta Family will not cause the Company to take action in a manner which might differ from the interests of other shareholders.

The Company's Board of Directors is made up of nine directors, none of whom is a member of the Araneta family, and at least three or such number of independent directors that constitutes at least one-third (1/3) of the member of the Board of Directors, whichever is higher, of whom are independent directors. Furthermore, the Company's Manual requires that the Board of Directors designate an audit committee that is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Company's management and shareholders of the continuous improvement of the risk management systems, business operations and the proper safeguarding and use of our resources and assets. The audit committee must comprise of at least three members, the majority of whom must be independent, including the chairman.

The placing of LBC Bank under receivership had and might have material adverse effects on the Group. In addition, the potential claims of (i) ₱333 million against LBC Development Corporation, (ii) ₱1,796 million against LBC Express, and (iii) ₱245 million against LBC Systems, Inc., a subsidiary of LBC Express, by the PDIC, may also have a material adverse effect on the Group.

On September 9, 2011, the Monetary Board of the Bangko Sentral ng Pilipinas ("BSP"), through Monetary Board Resolution No. 1354, resolved to close LBC Bank, a company commonly controlled with LBC Express by the Araneta Family, and placed LBC Bank's assets and affairs under receivership. The PDIC was then appointed as the receiver of LBC Bank and was charged, along with the BSP, with investigating the failure. According to news reports, the investigations conducted by the BSP and the PDIC indicated that, from as early as 2008, LBC Bank had allegedly been recording substantial cash advances and attributing them to LBC Express, ostensibly to hasten LBC Express' crediting of OFW remittances to recipients in the Philippines. At the time LBC Bank was placed under receivership, its financials showed approximately over ₱6 billion in deposit liabilities. Various unidentified sources have claimed that these advances were anywhere from excessive and unsubstantiated to fictitious and fraudulent, resulting in LBC Bank recording inflated revenues and assets when in reality they were encountering financial difficulties. LBC Express has since denied all allegations of wrongdoing in relation to such matters.

The closure of LBC Bank in 2011 had a material adverse effect on LBC Express' results of operations. In 2012, a Singapore affiliate of LBC Express was denied its application for renewal of its license to conduct remittance operations there; although there is no specific proof, the Company believes that the non-renewal was mainly attributable to the negative implications of LBC Bank's closure in the Philippines. LBC Express' revenue and profits in the remittance business were also materially and adversely affected in the first half of 2012 because of a slowdown caused in part by negative perception of the "LBC" brand resulting from LBC Bank's failure, the subsequent non-renewal of the Singapore affiliate's license and the loss of approximately ₱295 million in LBC Express' funds held with LBC Bank, which were not recoverable following LBC Bank's receivership. In addition, LBC Express also incurred substantial legal expenses in internally investigating the cause for the non-renewal and discussing the non-renewal with the relevant authorities. There can be no assurance that similar instances of negative reputational effects to the Group or its various branches, affiliates and partners will not occur in the future. The Philippine House of Representatives also investigated the closure of LBC Bank. Although these investigations did not result in any resolutions, legislation or formal hearings to date, there can be no assurance that such inquiries and investigations will not be re-initiated in the future.

Despite the fact that there have been no resolutions on the foregoing matters, and even if, to date, there have been no actions or proceedings in relation to the circumstances surrounding LBC Bank's practices and closure filed against LBC Express, there can be no assurance that (i) the BSP in the exercise of its regulatory powers will not formally impose administrative sanctions against LBC Express; or (ii) the PDIC, in the exercise of its powers as a regulator and statutory receiver, will not formally impose similar sanctions or pursue or maintain any claims, whether extrajudicial or judicial, against LBC Express. Any such actions or proceedings, depending on the supporting evidence, may also allege unsound banking practices as well as complicity on the part of LBC Express in any wrongdoing by LBC Bank, and may involve recovery of damages or various forms of restitution from LBC Express. In the event that any such proceedings or actions are brought forth in the future, these may have a material adverse effect on the Group's business reputation, financial condition and results of operations.

In addition, according to LBC Development Corporation, in a letter dated March 27, 2014, the PDIC demanded that LBC Asia Pacific, the name of a division within LBC Development Corporation, pay for alleged outstanding obligations (for unpaid service income and charges) to LBC Bank amounting to approximately ₱303 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Development Corporation pay to LBC Bank the amount of ₱30 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Development Corporation believes, and has denied to the Company, that it owes LBC Bank any such amounts. While the Company believes that PDIC's claims against LBC Development Corporation, even if successfully proven, would have no direct financial impact on the Group, there can be no assurance that these PDIC claims will not cause further reputational harm to the Group and ultimately have a material adverse effect on its financial performance and prospects.

LBC Express has likewise informed the Company that in a letter dated March 17, 2014, the PDIC demanded that LBC Express pay for alleged outstanding obligations (for unpaid service income and charges) to LBC Bank amounting to approximately ₱1,769.0 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Express pay to LBC Bank the amount of approximately ₱27 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Express believes and has denied to the Company, that it owes LBC Bank any such amounts. On November 2, 2015, LBC Bank, through PDIC, filed a case against LBC Express and LBC Development Corporation, among other respondents, for a total collection of ₱1.82 billion in relation to the 17 March 2014 demand letter. Currently, there is a surety bond in place for an amount equal to ₱1.82 billion, the total amount of the claim, which shall serve as security to satisfy any final and executory judgement against LBC Express in the case filed by the PDIC. See *"Business – Legal Proceedings"* on page 133 of this Prospectus for a detailed discussion of this case.

Finally, LBC Systems, Inc., a subsidiary of LBC Express, informed the Company that in a letter dated March 24, 2014, the PDIC demanded that LBC Systems, Inc. pay for the alleged outstanding advances from LBC Bank (to fund its remittance operations) to LBC Bank amounting to approximately ₱180 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Systems, Inc. pay to LBC Bank the amount of approximately ₱65 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Systems, Inc. believes and has denied to the Company, that it owes LBC Bank any such amounts. The Company maintains its position that all service fees which are appropriately due to LBC Bank have been duly and fully paid by LBC Express, and that majority of the amount of amount being claimed by LBC Bank, though PDIC, have no basis. Nonetheless, there can be no assurance that these PDIC claims will not cause further reputational harm to the Group and ultimately have a material adverse effect on its financial performance and prospects.

On the latest actions, The PDIC, LBC Express, LBC Development Corporation, and other defendants filed a Joint Motion to Suspend Proceedings, praying that the Makati RTC postpone pre-trial in order to give the parties an additional opportunity to discuss amicable settlement. In the Order dated May 25, 2018, the Makati RTC granted said Joint Motion, suspending the proceedings and deferred pre-trial to September 6, 2018. As of the date of this Prospectus, the parties have not yet started discussions on a possible amicable settlement of this case.

LBC Express also has a surety bond in place for an amount equal to ₱1.82 billion, the total amount of the claim, which shall serve as security to satisfy any final and executory judgment against LBC Express in the case filed by the PDIC.

The PDIC has filed various criminal and administrative cases against certain members of the Araneta Family in relation to the receivership of LBC Bank. An adverse ruling against the members of the Araneta Family in any of these cases may cause further reputational harm to the Group.

The PDIC has filed various criminal and administrative cases against various members of the Araneta family in their capacity as stockholders and/or directors of LBC Bank. See *"Board of Directors and Senior Management – Involvement in Certain Legal Proceedings of Directors and Executive Officers"* on page 217 of this Prospectus.

While none of the members of the Araneta Family are directors or officers of the Company, an adverse ruling against the members of the Araneta Family in any of these criminal and administrative cases may have a material adverse effect on the Group's business reputation, financial condition and results of operations, considering that the Araneta Family controls the Group through the Company's parent company, LBC Development Corporation.

RISKS RELATING TO THE PHILIPPINES

Any political instability in the Philippines may adversely affect the Group's business, results of operations or financial condition.

The Philippines has from time to time experienced political, social and military instability and no assurance can be given that the future political environment in the Philippines will be stable. In the past decade, the Philippines has experienced political and social instability including extrajudicial killings; allegations of electoral fraud; impeachment proceedings against the president, the chief justice of the Supreme Court of the Philippines, and the officials of constitutional offices; and mass public and military protests arising from alleged misconduct by government officials. In addition, a number of current and past officials of the Philippine government are under investigation or have been indicted for graft, corruption, plunder, extortion, bribery, or usurpation of authority.

Political instability may also arise from the efforts of the government to amend the 1987 Philippine Constitution. Among the amendments that may be introduced is the change of the Philippine government from a unitary system to a federal system. On February 2018, the government convened the Consultative Committee to Review the 1987 Constitution. Amidst the moves to amend the Constitution, several groups and sectors in the Philippines organized mass demonstrations opposing the charter change. In February 2018, the International Criminal Court ("**ICC**") set the initial review of allegations against President Duterte for commission of crimes against humanity in connection with the Government's war on drugs. The ICC's initial review will determine if a preliminary investigation on the allegations against President Duterte is warranted.

It was on 23 August 2011 when the Philippines became a State Party to the Rome Statute, the treaty that established the ICC. However, on 16 March 2018, the Government, through a written notification addressed to the Secretary-General of the United Nations, withdrew from the Rome Statute. Under the Rome Statute, the withdrawal shall take effect one year from the date of receipt of the notification, and it shall not stop the ICC from pursuing a preliminary examination of the situation in the Philippines or acting upon any matter that was already under its consideration prior to the effectivity of the withdrawal.

On July 26, 2018, Republic Act No. 11054, also known as the Bangsamoro Organic Law (BOL) or Bangsamoro Basic Law (BBL), was enacted to abolish the Autonomous Region in Muslim Mindanao, and created the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM"). The BARMM will be parliamentary-democratic in form, and will be headed by a chief minister who will preside over an 80-member parliament. On January 21 and February 6, 2019, two (2) plebiscites were held to abolish the ARMM and replace it with the BARMM, where around 2.8 million voters registered for the plebiscites. President Rodrigo R. Duterte administered the oath of office to the newly appointed Bangsamoro Transition Authority (BTA) on February 22, 2019. During the ceremony, President Duterte announced the appointment of the MILF Chairman Al Haj Murad Ebrahim as the interim Chief Minister of the BTA. The BTA is composed of 80 members who are appointed by the President. The law says that the elected officials of the ARMM become automatic members of the BTA, and they will serve until June 30, 2019. During the transition period, the executive authority will be exercised by the interim Chief Minister while the legislative authority will be exercised by the BTA. Moreover, all powers and functions of the Bangsamoro Government, as provided in the BOL, are vested in the BTA during the transition period. The BTA's functions and priorities include the enactment of priority legislation such as the Bangsamoro's administrative code, revenue code, electoral code, local government code, and education code. Until such laws are enacted, the Muslim Mindanao Autonomy Act No. 25 or the Autonomous Region in Muslim Mindanao Local Government Code and existing laws on elections and other electoral matters will be applied in the BARMM. The official turnover from the ARMM to the BARMM took place on February 26, 2019, which meant the full abolition of the former.

The upcoming Philippine legislative and local elections is scheduled on May 2019. There is no assurance that the upcoming elections will be peaceful and free of allegation of fraud and voter disenfranchisement.

No assurance can be given that the political environment in the Philippines will remain stable. Political instability in the Philippines could negatively impact the general economic conditions and operating environment in the Philippines, which could have a material impact on the Group's business, financial condition, results of operation and the level of dividends paid and distributions made by the Group.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect the Group's business, financial condition and results of operations.

Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Group's business and financial condition.

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines.

In May 2017, the city of Marawi in Lanao del Sur, Mindanao, Philippines was attacked by terrorists inspired by the Islamic State of Iraq and Syria known as the Maute group. The clash between the Government forces and the terrorists and the risk of the conflict spilling over to other parts of the Mindanao island necessitated the declaration of martial law in Mindanao, Philippines. In October 2017, the Government declared that the city had been liberated and all combat operations had ended. Despite this development, however, the Philippine Congress has resolved to extend the imposition of martial law in Mindanao until end of 2018, citing persistent threats of terrorism and rebellion in the region and to ensure the total eradication of Islamic State-inspired terror groups in the country. On 27 February 2018, the government of the United States of America declared the Maute group as a foreign terrorist organization. The Philippine Congress resolved to extend the imposition of Martial Law in Mindanao until end of 2018, citing persistent threats of terrorism and rebellion in the region and to ensure the total eradication of Islamic State-inspired terror groups in the country. This was again extended for the third time on December 17, 2018, until December 31, 2019. In January 2019, separate petitions were filed with the Supreme Court challenging the third extension of the Martial Law in Mindanao.

In January 2019, bombs were detonated in the Jolo Cathedral in the Municipality of Jolo, Sulu, and a Mosque in Zamboanga City, Zamboanga del Sur.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of the Company's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country’s economy, as well as the Group’s Logistics and Money Transfer operations.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China’s presence there. In January 2013, the Philippines formally filed a request for international arbitration with the International Tribunal for the Law of the Sea to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected this request and refused to submit for arbitration. On July 12, 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the “nine-dash line;” (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China had violated the Philippines’ sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Group's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Group has operations could materially and adversely affect the Group's business, financial condition and results of operations.

Investors may face difficulties enforcing judgments against the Group.

It may be difficult for investors to enforce judgments against the Group obtained outside of the Philippines. In addition, all of the directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction; (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (iii) the party against whom enforcement is sought did not receive notice; or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. The SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two independent directors or such number of independent directors as is equal to 20% of its board of directors, whichever is lower, but in no case less than two. The Company historically has had no independent directors and, as of the date of this Prospectus, has two independent directors. Many other countries require significantly more independent directors. Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

The sovereign credit ratings of the Philippines may adversely affect the Group's business.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies, including those part of the Group. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the Group's business operations. In particular, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent the Group from delivering its cargo and/or remittances in a timely manner or at all. Moreover, such natural catastrophes could cause customers to reduce shipments, or could increase the costs of operating the Group's business. Although the terms and conditions of the Group's delivery agreements with its customers limits its liability for delays and losses as a result of *force majeure* events, and although the Group purchases general insurance coverage in amounts it believes consistent with its risk of loss and the customary practice in the industry, the Group does not purchase business interruption insurance for any loss of profits resulting from such natural catastrophes. See *"Risk Factors – Risks Relating to the Group – The Group may not have adequate insurance to cover all potential liabilities or losses"* on page 42 of this Prospectus. There can be no assurance that the Group is fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Group's business.

The Group derives a portion of its income from overseas in currencies other than the Peso. Accordingly, any significant change in exchange rates between the Peso and the other currencies in which the Group derives its revenue could have a material impact on the Group's statement of financial position. The value of the Philippine Peso against the U.S. dollar has experienced volatility in recent years, with a depreciating trend in the past year. As of December 28, 2018, the Peso had depreciated by 5.6% to ₱52.72 per U.S.$1.00 from ₱49.92 per U.S.$1.00 as at December 29, 2017. Because of this volatility in the value of the Peso, the BSP may intervene in the foreign exchange market to curb the negative effects of a strong currency. Reduced risk appetite for emerging market assets could also result in a decline in value of the Peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the Peso could result in volatility in the value of the Peso against the U.S. dollar and other currencies. There can be no assurance that the value of the Peso will not appreciate or depreciate significantly against the U.S. dollar or other currencies in the future, and significant fluctuations could materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;

- understand and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Settlement Date, which is expected to be on or about June 28, 2019. Because the Listing Date is scheduled to occur after the Offer Settlement, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

There may be a limited market for the Common Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

The Common Shares are listed on the PSE. Trading volumes on the PSE have historically been significantly smaller than on major securities markets in more developed countries and have also been highly volatile. As of the date of this Prospectus, LBC Development Corporation beneficially owns 84.58% of the Company's issued and outstanding Common Shares and, following the Offer, will beneficially own 79.89% of the Company's issued and outstanding Common Shares. As there may be limited liquidity in the Common Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price will be determined through a book-building process and not by reference to the historical trading price of the Common Shares. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall or even lose all of its value. The market price of Common Shares could be affected by several factors, including:

- general market, political and economic conditions;

- changes in earnings estimates and recommendations by financial analysts;

- changes in market valuations of listed shares;
- the market value of the assets of the Company;
- changes to Government policy, legislation or regulations;
- negative publicity or reports with respect to the Group; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Group's business and operations, the Board will consider the funding options available to them at the time, which may include the sale of additional Common Shares from the treasury or the issuance of new Common Shares. If additional funds are raised through the sale or issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares. Furthermore, the market price of the Common Shares could decline as a result of future sales of substantial amounts of Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

The Company's shares are subject to Philippine foreign ownership limitations.

Under Republic Act No. 776, only "citizens of the Philippines" may engage in domestic air commerce or air transportation, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines.

Moreover, Circular No. 2001-01 issued by the Department of Transportation and Communications restricts the operation of private express and/or messengerial delivery services to Filipino citizens or corporations or partnerships duly registered with the SEC, at least 60% of whose capital stock or shares are owned by Filipino citizens.

Considering the foregoing, because the Company, through its subsidiary LBC Express, is engaged in domestic air freight forwarding and the operation of private express and messengerial delivery services, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital shares. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. These restrictions may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares in normal secondary transactions.

Shareholders may be subject to limitations on minority shareholders rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Revised Corporation Code, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.

The Offer Price of the Common Shares may be substantially higher than the net tangible book value of net assets per share of the Company's outstanding Common Shares. Therefore, purchasers of Offer Shares may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Common Shares they own. See *"Dilution"* on page 70 of this Prospectus.

Future changes in the value of the Philippine Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.

The price of the Common Shares is denominated in Philippine Pesos. Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Common Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by the Company on, and the Peso proceeds received from any sales of, the Offer Shares, as well as the book value of foreign currency assets, and income and expenses and cash flows in the Company's financial statements.

The Company may be unable to pay dividends on the Common Shares.

There is no assurance that the Company can or will declare dividends on the Common Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its subsidiaries, and other factors the Board may deem relevant. See *"Dividends and Dividend Policy"* on page 66 of this Prospectus.

Developments in other markets may adversely affect the Philippine economy and market price of the Shares.

In the past, the Philippine economy and securities of Philippine companies have been, to varying degrees, influenced by economic and market conditions in other countries, especially other countries in Southeast Asia, as well as investors' response to those conditions. Although economic conditions are different in each country, investors' reaction to adverse developments in one country may affect the market price of securities of companies in other countries, including the Philippines. For example, the economic crisis in the United States and Europe triggered market volatility in other countries' securities markets, including the Philippines. Accordingly, adverse developments in the global economy could lead to a reduction in the demand for, and market price of, the Common Shares.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industries in which the Group competes and the markets in which the Group develops its projects, including statistics relating to market size, was derived from various Government and private publications. Furthermore, the section of this Prospectus entitled "Industry" utilized information based on reports prepared by Ken Research dated March 2017, June 2017, June 2018 and April 2019, to provide an overview of the remittance and logistics industries, respectively, in the Philippines. Neither this section nor the Ken Research reports were prepared or independently verified by the Company or the Sole Underwriter, or any of their respective affiliates or advisors.

This Prospectus also contains industry information based on publicly available third party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts and market research, including those contained or extracted herein, have not been independently verified by the Company and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer, based on an Offer Price of up to ₱22.00 per Offer Share, will be approximately ₱1,463.5 million after deducting the applicable underwriting fees and commissions and expenses for the Offer payable by the Company and the Selling Shareholder.

Based on the maximum Offer Price of ₱22.00 per Offer Share, the total proceeds from the Offer, the estimated costs and expenses for the Offer and the estimated net proceeds from the Offer will be:

	Primary Offer (₱)	**Secondary Offer (₱)**
Total proceeds from the Offer	**220,000,000**	**1,300,222,000**
Underwriting and selling fees for the Offer Shares (including fees to be paid to the Underwriter)	6,050,000	35,756,105*
SEC registration, filing and research fees	951,981	
PSE listing and processing fee	270,000**	
Taxes to be paid by the Company	132,400***	
Estimated professional fees (including legal, accounting, and financial advisory fees)	11,200,000	
Others	2,405,265	
Total estimated expenses	21,009,646	35,756,105
Estimated net proceeds from the Offer	198,990,354	1,264,465,895

**Underwriting and selling fees for the Secondary Offer are payable by the selling shareholders.*
***PSE listing and processing fee is exclusive of VAT.*
**** Taxes to be paid by the Company include the 12% VAT on the PSE listing and processing fees and the documentary stamp tax on the issuance of the Primary Offer Shares.*

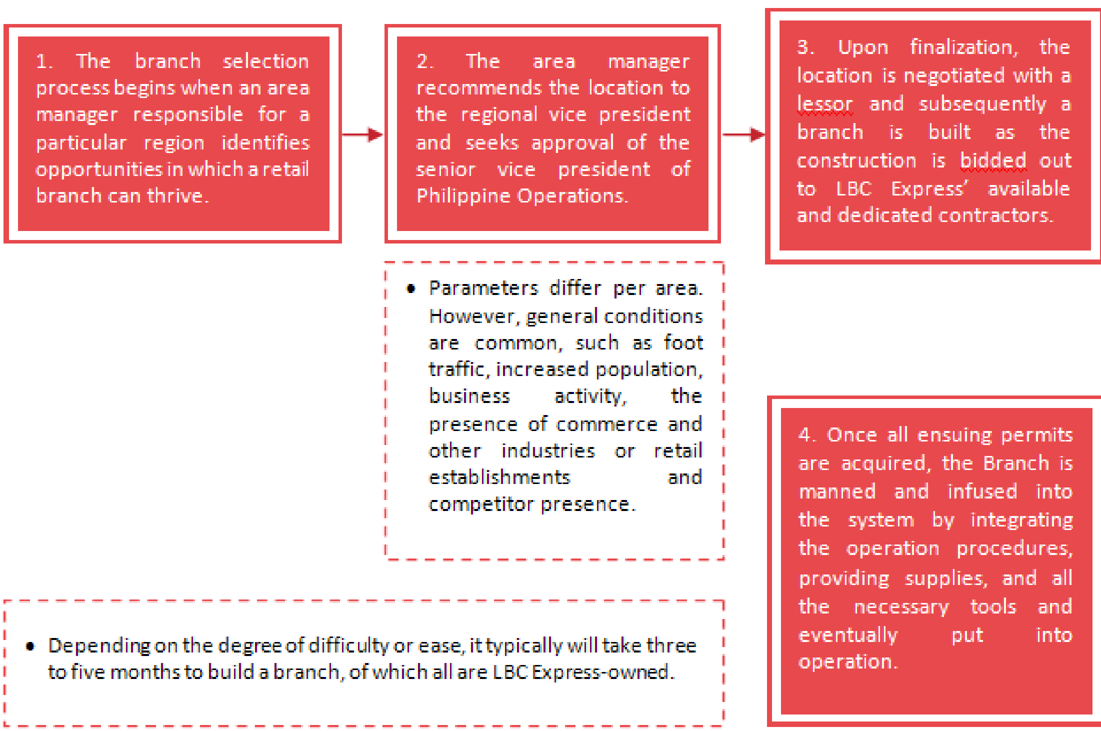
The Company will not receive any part of the net proceeds from the sale of the Secondary Offer Shares.

As regards the issuance of the Primary Offer Shares, the Company intends to use the net proceeds from the Offer of the Primary Offer Shares to augment its budget for LBC Express. The net proceeds shall be infused by the Company to LBC Express through deposits for future stock subscription and/or advances. The net proceeds are allocated the following spending:

Use of Proceeds	**Amount (in ₱)**	**Time Frame**
Strategic Expansion	70-100 million	Year-round 12 month period
General Corporate Purposes	50-70 million	3rd quarter to 4th quarter of 2019
Capital Expenditures	80 -100 million	3rd quarter to 4th quarter of 2019

Strategic Expansion

LBC Express historically builds 60 to 80 branches every year, and for 2019, it plans to build 70 to 100 branches. These branches are typically located in malls, urbanized areas, and developing locations across the country. Approximately 70% of the new branches are planned to be established in Luzon, 40% of which will be in National Capital Region and the remainder will be spread between North Luzon and South Luzon. Specifically, LBC Express plans to expand its presence in the Ilocos Region (Laoag and Vigan) and Cagayan in the North Luzon, while the key target areas are Batangas, Bicol and the Quezon Provinces in South Luzon. The remainder (30%) of the new branches are planned to be located in Visayas, and Davao City, Cagayan de Oro, Butuan, Surigao and General Santos City in Mindanao. Increased commercial traffic in urbanized locations is the key driver for increasing branch footprint in the National Capital Region, while increased economic and regional fundamentals drive the growth for provincial sites. The average cost of construction for each new branch is between ₱800,000.00 to ₱1.2 Million. The branch expansion is expected to amount to about ₱40.0 million to ₱97.0 million. Typically, LBC Express takes the following steps in branch expansion:



As of April 30, 2019, LBC Express has already opened a total of 18 new branches. Of these 18 new branches, eleven are located in Luzon, four are located in Visayas and three are located in Mindanao. The total cost incurred for putting up these new branches is approximately ₱33.0 million.

LBC Express also intends to leverage on its existing platform as it moves to expand its presence in the supply chain logistics segment. LBC Express plans to upgrade its warehousing facilities with a new racking system which will cost around ₱3.0 to ₱5.0 million for around 2,000 pallet positions. LBC Express continues to look for suitable locations to expand its current footprint in the warehousing space.

Another key strategy of LBC Express is to enhance its IT infrastructure. LBC Express is currently transitioning from its existing in-house developed legacy system to a more robust customer-driven platform. LBC Express is currently working with Ramco Systems, a leading logistics IT provider, to develop and enhance its current IT infrastructure. LBC Express is planning to apply the remaining allocation to Strategic Expansion to this purpose.

General Corporate Purposes

LBC Express intends to expand its warehousing footprint by upgrading its existing warehouses and delivery hubs to adjust to the growing needs of its corporate customers. This is estimated to cost around ₱40.0 to ₱50.0 million.

Furthermore, LBC Express intends to renew its advertising campaign and will be working with a progressive advertising firm. LBC Express is planning to apply the remaining allocation to General Corporate Purposes to this purpose.

The planned advertising campaign will transition from simple and traditional forms of advertising to include digital forms of advertising. The goal is to increase awareness and visibility, interaction with the public and store traffic. The move to digital advertising aims to target the millennial generation to use the services of LBC. Of the entire advertising budget, thirty two percent (32%) thereof shall be allocated to television, fourteen percent (14.7%) to radio and six percent (6.4%) to outdoor advertising. LBC will also utilize social media platforms such as Facebook and LinkedIn. LBC Express shall increase online visibility through Google searches, YouTube, online articles, etc. Branded content will be disseminated through various media publishers. LBC Express will likewise team up will online marketplaces to provide shipping solutions. LBC Express shall also increase its visibility to global marketplaces by advertising through news segments.

Capital Expenditures

LBC Express intends to upgrade its fleet of four-wheeler and two-wheeler vehicles by acquiring 100-150 more motorcycles and 50-70 vans/trucks. The cost of a basic four-wheeler Isuzu NKR or Mitsubishi Canter, the most commonly-used commercial truck vehicles in the market, is approximately ₱1.1 to ₱1.2 million for the can and chassis, while the van container fabrication costs approximately ₱300,000.00 per vehicle. Motorcycles used are typically of the 150cc range, and these cost approximately ₱65,000.00 to ₱75,000.00 per unit (including customization costs). This will amount to around ₱60.0 million to ₱100.0 million.

Distribution and Undertaking

The net proceeds from the Offer of the Primary Offer Shares is expected to be disbursed immediately after the Offer. In the event that less than the estimated net proceeds are obtained, the priority for the use of the proceeds will be for strategic expansion, and then for general corporate purposes, and finally for capital expenditures. To the extent that the Offer proceeds are insufficient to finance the above-mentioned purposes, additional financing from internally generated funds, loans through the Company's existing credit lines, and internally-generated cash flows will be utilized as necessary.

The Company does not intend to use the proceeds from the Offer to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. Furthermore, the Company's plans may change, based on various factors including changing macroeconomic and market conditions. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans. Any proceeds or any excess thereof that are not yet to be used by the Company may be invested in safe investments such as Government securities.

In the event of any substantial deviation, adjustment or reallocation in the planned uses of proceeds, the Company will secure the approval of its Board of Directors for such deviation. adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PSE. The Company shall submit via the PSE's Electronic Disclosure Generation Technology (EDGE) System, the following disclosure to ensure transparency in the use of proceeds:

(i) any disbursements made in connection with the planned use of proceeds from the Offer;
(ii) quarterly progress reports on the application of the proceeds from the Offer on or before the first 15 days of the following quarter;
(iii) an annual summary of the application of the proceeds on or before January 31 of the following year; and
(iv) approval by the Board of any reallocation on the planned use of proceeds, or any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The Company shall submit a certification by the Company's Chief Finance Officer or Treasurer and external auditor on the accuracy of the information reported by the Company to the PSE, as well as a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any, in the Company's quarterly and annual reports as required in items (ii) and (iii) above. Such detailed explanation shall state the approval of the Board as required in item (iv) above.

DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Revised Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend History

On December 20, 2018, April 19, 2017 and October 11, 2016, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share, ₱827.00 million or ₱0.58 for every issued and outstanding common share and ₱313.69 million or ₱0.22 for every issued and outstanding common share, respectively. On February 8, 2019, June 9, 2017 and November 29, 2016, through a Memorandum of Agreement, LBC Development Corporation and the Company agreed to offset the dividends payable by the Company to LBC Development Corporation against the latter's payable to the Group amounting to ₱229.37 million, ₱699.47 million and ₱265.31 million, respectively. The ₱241.19 million, ₱699.47 million and ₱265.31 million pertain to the share in dividends of LBC Development Corporation while the ₱43.98 million. ₱127.54 million and ₱48.38 million pertain to the share of non-controlling interest.

Dividend Policy

The Company does not have a specific dividend policy. Dividends are declared and paid out of the surplus of the Company at such intervals as the Board of Directors of the Company may determine, depending on various factors such as the operating and expansion needs of the Company. Dividends may be in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Revised Corporation Code as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

The Company's direct subsidiary, LBC Express, has adopted the same dividend policy.

DETERMINATION OF THE OFFER PRICE

The Offer Price will be determined through a book-building process involving qualified institutional buyers and discussions between the Company and the Sole Underwriter.

The factors considered in determining the Offer Price are, among others, the Company's ability to generate earnings and cash flow, its short and long term prospects, the level of demand from institutional investors, overall market conditions at the time of launch and the market price of listed comparable companies, and not by reference to the historical trading price of the Common Shares. Investors should not rely on the historical market price of the Common Shares on the PSE as an indicator of the value of the Common Shares. The Offer Price may not have any correlation to the actual book value of the Common Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company’s consolidated debt, total equity and capitalization as of December 31, 2018, and as adjusted to reflect the sale of the Offer Shares at the Offer Price of ₱22.00 per Offer Share. Other than as described below, there has been no material change in the Company’s capitalization since December 31, 2018.

	Actual as of December 31, 2018	**After Giving Effect to the Offer subsequent to December 31, 2018(1)**
	(Audited)	**(Pro-Forma)**
Debt:		
Total Debt[1]	3,553,818,066	3,553,818,066
Equity:		
Share capital	1,425,865,471	1,435,865,471
Share premium[2]	-	202,770,866
Retained earnings[3]	1,625,483,991	1,611,703,479
Accumulated comprehensive income (loss)	241,328,367	241,328,367
Non-controlling interests	(14,711,365)	(14,711,365)
Total equity	3,277,966,464	3,476,956,818
Total capitalization	**6,831,784,530**	**7,030,774,884**

[1]Total debt includes notes payable (current and non-current portion), lease liabilities (current and non-current, excluding deferred lease liability from PAS 17 adjustment), convertible instrument and other liabilities (including current portion presented under Accounts Payable).

[2]Share premium represents the excess of paid up capital over par value of the share, net of the share issue costs from the primary offering of the shares, payable by the Company (excluding the underwriting and selling fees for the secondary offering of the shares, payable by the selling shareholders)

[3]Retained earnings is reduced for the other expenses from the primary offering of the shares (excluding the underwriting and selling fees for the secondary offering of the shares, payable by the selling shareholders)

DILUTION

The book value attributable to the Company's shareholders, based on the Company's financial statements as of December 31, 2018 was ₱3,292.68 million, while the book value per Common Share was ₱2.31. The book value attributable to the Company's Common Shareholders represents the amount of the Company's total equity attributable to equity holders of the Company (excluding non-controlling interest). The Company's book value per share is computed by dividing the book value attributable to the Company's shareholders (excluding non-controlling interest) by the equivalent number of Common Shares outstanding.

Without taking into account any other changes in such book value after December 31, 2018 other than the sale of 69,101,000 Offer Shares at the Offer Price of ₱22.00 per Offer Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer (excluding underwriting and selling fees for the Secondary Offer payable by the selling shareholders) payable by the Company, the Company's net book value attributable to the Company's shareholders as of December 31, 2018 would increase to ₱3,491.67 million, or ₱2.43 per Common Share. This represents an immediate increase in net book value of ₱0.12 per Common Share to existing shareholders, and an immediate dilution of ₱19.57 per Common Share to purchasers of Offer Shares at the Offer Price of ₱22.00 per Offer Share.

Dilution in pro forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro forma book value per share immediately following the completion of the Offer. The pro forma book value per share immediately following the completion of the Offer represents the book value per share as of December 31, 2018 after giving effect to the equity transactions subsequent to December 31, 2018 and the Offer.

The net tangible book value[5] per share attributable to the Company's shareholders (excluding non-controlling interest) before and after the distribution is ₱1.91 and ₱2.03, respectively.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱22.00 per Offer Share:

Offer Price per Offer Share...	₱22.00
Book value per Common Share as of December 31, 2018	₱2.31
Difference in Offer Price per Offer Share and book value per Offer Share as of December 31, 2018	₱19.69
Pro forma book value per Common Share immediately following the completion of the Offer	₱2.43
Dilution in Pro forma book value per Common Share to investors of the Offer Shares..........................	₱19.57

The following table sets forth the shareholding s and percentage of Common Shares outstanding of existing and new shareholders of the Company immediately after completion of the Offer of 69,101,000 Offer Shares:

	Common Shares	
	Number	**%**
Existing shareholders	1,366,764,471	95.19%
New investors	69,101,000	4.81%
Total	1,435,865,471	**100.0**

5 This refers to the total assets (exclusive of copyrights, patents, goodwill, research and development costs, pre-operating costs, and similar intangible assets) minus total liabilities.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables set forth selected consolidated financial information for the Company and its Subsidiaries and should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements as at and for the years ended December 31, 2016, 2017 and 2018, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The consolidated financial statements of the Company and its Subsidiaries as at December 31, 2016, 2017 and 2018 and their financial performance and their cash flows for the year then ended were audited by SGV & Co.

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the consolidated financial statements and the related notes elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
Service Revenue	8,695.4	10,020.1	12,514.2
Cost of Services	(5,590.5)	(6,606.0)	(8,563.6)
Gross Profit	3,104.9	3,414.1	3,950.6
Operating Expenses	(1,872.8)	(2,066.6)	(2,582.9)
Other Income (Charges)	93.0	(220.7)	449.0
Income before Income Tax	1,325.1	1,126.8	1,816.7
Provision for Income Tax	(411.2)	(418.9)	(467.7)
Net Income	**913.9**	**707.9**	**1,349.0**
Other comprehensive income (loss)	235.0	21.6	(87.2)
Total comprehensive income	**1,148.9**	**729.5**	**1,261.8**
Net income attributable to:			
Shareholders of LBC Express Holdings, Inc.	921.6	703.9	1,359.7
Non-controlling interests	(7.7)	4.0	(10.7)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in (₽ millions)	As of December 31 2016 audited	2017 audited	2018 audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,327.8	3,778.4	4,137.4
Trade and other receivables	1,526.7	1,675.8	1,642.1
Due from related parties	1,108.0	667.7	558.0
Investment at fair value through profit or loss	–	–	131.3
Available-for-sale investments	250.9	440.8	–
Prepayments and other assets	388.1	446.1	647.5
Total Current Assets	4,601.5	7,008.8	7,116.3
Noncurrent Assets			
Property and equipment	840.5	976.1	1,436.1
Intangible assets	266.0	356.9	555.4
Investment at fair value through other comprehensive income	–	–	337.5
Available-for-sale investments	458.4	444.7	–
Deferred tax assets	274.4	289.5	302.3
Security deposits	226.3	255.4	312.4
Investment in an associate	–	–	239.0
Advances for future investment in shares	–	–	439.8
Goodwill	–	–	492.4
Other noncurrent assets	70.1	92.2	139.0
Total Noncurrent Assets	2,135.7	2,414.8	4,253.9
Total Assets	**6,737.2**	**9,423.6**	**11,370.2**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,295.1	1,603.1	2,806.2
Due to related parties	18.3	2.5	94.0
Dividends payable	–	–	285.2
Current portion of notes payable	666.7	440.1	297.0
Transmissions liability	467.3	588.2	543.9
Income tax payable	254.8	125.0	126.5
Current portion of lease liabilities	50.8	30.7	20.3
Total Current Liabilities	2,753.0	2,789.6	4,173.1
Noncurrent Liabilities			
Derivative liability	–	1,860.4	1,406.2
Bond payable	–	896.2	1,108.4
Retirement benefit liability	721.0	705.3	672.3
Notes payable-net of current portion	692.5	601.3	532.5
Lease liabilities – net of current portion	73.2	87.0	119.8
Other non-current liabilities	34.5	118.3	79.9

	As of December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
Total Noncurrent Liabilities........	1,521.2	4,268.5	3,919.1
Total Liabilities	**4,274.2**	**7,058.1**	**8,092.2**

	As of December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
Equity			
Equity attributable to shareholders of the parent company			
Capital stock....................................	1,425.9	1,425.9	1,425.9
Retained earnings............................	782.4	659.3	1,625.5
Accumulated comprehensive income..	305.7	326.9	241.3
Non-controlling interests	(51.0)	(46.6)	(14.7)
Total Equity...................................	2,463.0	2,365.5	3,278.0
Total Liabilities and Equity	**6,737.2**	**9,423.6**	**11,370.2**

SUMMARY CASH FLOW INFORMATION

	For the years ended December 31		
	2016	2017	2018
Amounts in (₱ millions)	audited	audited	audited
Net cash provided by operating activities...	800.6	1,386.3	1,616.8
Net cash used in investing activities ...	(603.0)	(834.5)	(910.5)
Net cash generated from (used in) financing activities.............................	154.9	1,923.0	(472.1)
Net increase in cash and cash equivalents	352.5	2,474.7	234.2
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.8)	(24.1)	124.8
Cash and cash equivalents			
Beginning of year/period.................	979.1	1,327.8	3,778.4
End of year/period..........................	1,327.8	3,778.4	4,137.4

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

The consolidated financial statements of the Company and its Subsidiaries as at December 31, 2016, 2017 and 2018 and their financial performance and their cash flows for the year then ended were audited by SGV & Co.

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

DESCRIPTION OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Group's service revenues, cost of services, gross profit, net income and other income line items for the periods indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
Service Revenue	8,695.4	10,020.1	12,514.2
Cost of Services	(5,590.5)	(6,606.0)	(8,563.6)
Gross Profit	3,104.9	3,414.1	3,950.6
Operating Expenses	(1,872.8)	(2,066.6)	(2,582.9)
Other Income (Charges)	93.0	(220.7)	449.0
Income before Income Tax	1,325.1	1,126.8	1,816.7
Provision for Income Tax	(411.2)	(418.9)	(467.7)
Net Income	**913.9**	**707.9**	**1,349.0**
Other comprehensive income (loss)	235.0	21.6	(87.2)
Total comprehensive income	**1,148.9**	**729.5**	**1,261.8**
Net income attributable to:			
Shareholders of LBC Express Holdings, Inc.	921.6	703.9	1,359.7
Non-controlling interests	(7.7)	4.0	(10.7)

<u>For the year ended December 31, 2018 compared with the year ended December 31, 2017</u>

Service Revenues

The Group's service revenues increased by 25%, to ₱12,514.2 million for the year ended December 31, 2018, from ₱10,020.1 million, for the year ended December 31, 2017, primarily due to the increase in revenues from the Logistics segment, attributable to growth in both retail and corporate sales by 25% and 35%, respectively.

In 2018, LBCH expanded operations by acquiring one (1) domestic and nine (9) international entities engaged in money remittance, and online and regular logistics services. Net contribution to revenue from these business combinations amounted to ₱889.8 million or 36% of the total increase.

There is also continuous growth in the domestic business, evidenced by the opening of 76 additional retail branches and the introduction of new products mid-2018, with total contribution of these to total revenue amounting to ₱123.7 million. Improvement in the corporate/institutional segment of the Group is also noteworthy, as it expanded its e-commerce directed logistics and warehousing services, while likewise maintaining its annual growth of corporate/institutional accounts.

Cost of Services

Cost of services increased by 30% to ₱8,563.6 million for the year ended December 31, 2018 from ₱6,606.0 million for the year ended December 31, 2017, in relation to volume growth in logistics services. This resulted with a 40% increase in cost of delivery and remittance.

Direct cost was also significantly affected by the increase in fuel rates, largely due to additional taxes imposed in compliance with the TRAIN Law effective January 1, 2018. This inclined carriers, mainly outsourced airlines and truckers, to enforce rate increases during the year.

Gross Profit

Gross profit increased by 16% to ₱3,950.6 million for the year ended December 31, 2018 from ₱3,414.1 million for the year ended December 31, 2017, primarily due to the increase in volume and revenue amounts for logistics services.

Operating Expenses

Operating expenses increased by 25% to ₱2,582.9 million for the year ended December 31, 2018 from ₱2,066.6 million for the year ended December 31, 2017, relative to the following:

- Salaries and wages expenses increased by 27% or ₱135.0 million, relative to an annual appraisal resulting from inflation, and the implementation of TRAIN Law which increased fringe benefit tax rate from 32% to 35%.

- Advertising and promotion expenses also contributed to the operating expense increase, as it grew by 88% or ₱148.1 million, mainly from parallel increases in production costs, television and radio advertisements, as well as costs for digital/online campaigns.

- Provision for impairment losses increased by ₱66.9 million, mainly due to the adoption of the new standard, PFRS 9, which requires recording an allowance for impairment loss for all loans and other debt financial assets not held at fair value at profit and loss. This resulted to the additional provision from the change in forecast and model assumptions.

- Dues and subscriptions were also higher by ₱32.8 million, primarily attributable to a Cloud Subscription Fee incurred for the year ended December 31, 2018. This Cloud Subscription, with a contract effective as of August 2017, replaces the maintenance costs; thus, a decline of 25% in the latter account.

- Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱26.9 million this year.

Other Income, Net

Gain on derivative amounting to ₱454.2 million is recognized as a result of lower estimated fair value of derivative liability as of December 31, 2018, as compared to the value as of December 31, 2017. This is mostly from decline of share price from ₱17.0 to ₱14.1 per share.

Foreign exchange gain - net is higher by 78% or ₱71.3 million which resulted from the foreign exchange trading, and a revaluation of US dollar denominated time deposit accounts.

Interest income increased to ₱33.5 million in 2018 from ₱16.2 million in 2017, mainly from the continuous roll over of time deposits denominated in local and foreign currency, throughout the year.

Fair value gain on investment through profit and loss amounting to ₱8.5 million is the realized and unrealized fair value valuation gain of unit investment trust fund earned during the year.

Interest expense is up by ₱87.1 million mostly from the accretion of bond payable.

Net income after tax

Net income after tax increased by 91% to ₱1,349.0 million for the year ended December 31, 2018 from ₱707.9 million for the year ended December 31, 2017, mainly related to the following:

- Growth in gross profit by 16%, resulting from an increase in volumes;
- Recognition of gain from derivative, amounting to ₱454.2 million which compensates the loss incurred in 2017.

For the year ended December 31, 2017 compared with the year ended December 31, 2016

Service Revenues

The Group’s service revenues increased by 15% to ₱10,020.1 million for the year ended December 31, 2017 from ₱8,695.4 million for the year ended December 31, 2016, primarily due to increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 19% to ₱8,981.2 million for the year ended December 31, 2017 from ₱7,521.9 million for the year ended December 31, 2016, primarily due to growth in retail and corporate revenue by 16% and 26%, respectively. The growth in volume of retail services was mainly attributable to the horizontal growth of LBC Express, evidenced by the addition of average 57 new branches in the Philippines. Corporate accounts' growth was contributed by both large and small-medium enterprise clients. There is also an incremental increase in LBC Express' volumes from cargo forwarding services during the year.

Cost of Services

Cost of services increased by 18% to ₱6,606.0 million for the year ended December 31, 2017 from ₱5,590.5 million for the year ended December 31, 2016 relative to growth in volume in logistic services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017.

Gross Profit

Gross profit increased by 10% to ₱3,414.1 million for the year ended December 31, 2017 from ₱3,104.9 million for the year ended December 31, 2016, primarily due to the increase in volume for logistic services.

Operating Expenses

Operating expenses increased by 10% to ₱2,066.6 million for the year ended December 31, 2017 from ₱1,872.8 million for the year ended December 31, 2016.

Professional fee is higher by 35% mainly related to acquired services of consultants for process improvement.

Rent expense increased by 21% primarily resulting from renewal of head office lease contract effective October 2016 with escalation on monthly fee and two new administrative warehouses contract which started mid-2016.

Taxes and licenses increased by 18% primarily related to additional branches and increase in gross receipts which are the basis for business permits.

Dues and subscription is increased to ₱31.3 million for the year ended December 31, 2017 from ₱3.8 million for the year ended December 31, 2016, related to the new cloud services acquired and the cost of support for migration.

Other Income, Net

Foreign exchange gain - net is lower by 36% which resulted from the foreign exchange trading, revaluation of time deposit denominated in US dollars and convertible instrument.

Loss on derivative amounting to ₱200.0 million is recognized as a result of higher estimated fair market value of derivative liability as at December 31, 2017 as compared to the value on inception date. This is primarily due to higher LBC stock price as compared to the stock price on the convertible instrument transaction date which generally increase the value of the derivative.

Interest expense is higher by 115% or ₱73.3 million primarily due to bond payable accretion and current period interest from notes payable, finance lease and other liabilities.

Income before Income Tax

Income before income tax decreased by 15% to ₱1,126.8 million for the year ended December 31, 2017 from ₱1,325.1 million for the year ended December 31, 2016, primarily due to the losses incurred related to convertible instrument during the year.

Income Tax Expense

Income tax expense increased by 2% to ₱418.9 million for the year ended December 31, 2017 from ₱411.2 million for the year ended December 31, 2016 because of lower amount of deferred income tax expenses resulting from temporary differences between cash and accounting method.

Net Income for the Year

The Group's net profit for the year decreased by 23% to ₱707.9 million for the year ended December 31, 2017 from ₱913.9 million for the year ended December 31, 2016 as a result of the foregoing movements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,327.8	3,778.4	4,137.4
Trade and other receivables	1,526.7	1,675.8	1,642.1
Due from related parties	1,108.0	667.7	558.0
Investment at fair value through profit or loss......................................	–	–	131.3
Available-for-sale investments	250.9	440.8	–
Prepayments and other assets	388.1	446.1	647.5
Total Current Assets	4,601.5	7,008.8	7,116.3
Noncurrent Assets			
Property and equipment	840.5	976.1	1,436.1
Intangible assets	266.0	356.9	555.4
Investment at fair value through other comprehensive income	–	–	337.5
Available-for-sale investments	458.4	444.7	–
Deferred tax assets	274.4	289.5	302.3
Security deposits	226.3	255.4	312.4
Investment in an associate	–	–	239.0
Advances for future investment in shares	–	–	439.8
Goodwill	–	–	492.4
Other noncurrent assets	70.1	92.2	139.0
Total Noncurrent Assets	2,135.7	2,414.8	4,253.9
Total Assets	**6,737.2**	**9,423.6**	**11,370.2**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,295.1	1,603.1	2,806.2
Due to related parties	18.3	2.5	94.0
Dividends payable	–	–	285.2
Current portion of notes payable	666.7	440.1	297.0
Transmissions liability	467.3	588.2	543.9
Income tax payable	254.8	125.0	126.5
Current portion of lease liabilities	50.8	30.7	20.3
Total Current Liabilities	2,753.0	2,789.6	4,173.1
Noncurrent Liabilities			
Derivative liability	–	1,860.4	1,406.2
Bond payable	–	896.2	1,108.4
Retirement benefit liability	721.0	705.3	672.3
Notes payable-net of current portion	692.5	601.3	532.5

	As of December 31		
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
Lease liabilities – net of current portion	73.2	87.0	119.8
Other non-current liabilities	34.5	118.3	79.9
Total Noncurrent Liabilities........	1,521.2	4,268.5	3,919.1
Total Liabilities	**4,274.2**	**7,058.1**	**8,092.2**

		As of December 31	
	2016	**2017**	**2018**
Amounts in (₱ millions)	audited	audited	audited
Equity			
Equity attributable to shareholders of the parent company			
Capital stock....................................	1,425.9	1,425.9	1,425.9
Retained earnings............................	782.4	659.3	1,625.5
Accumulated comprehensive income..	305.7	326.9	241.3
Non-controlling interests	(51.0)	(46.6)	(14.7)
Total Equity...................................	2,463.0	2,365.5	3278.0
Total Liabilities and Equity	**6,737.2**	**9,423.6**	**11,370.2**

As of December 31, 2018 compared to as of December 31, 2017

Assets

Current Assets

Cash and cash equivalents increased by 10% to ₱4,137.4 million as of December 31, 2018 from ₱3,778.4 million as of December 31, 2017. Refer to the analysis of cash flows in "Liquidity" section below.

Trade and other receivables, net declined by 2% to ₱1,642.1 million as of December 31, 2018 from ₱1,675.8 million as of December 31, 2017, mainly due to improvements in collection efficiency, as evidenced by lower daily sales outstanding (DSO) for the net trade receivable from outside and related parties.

Due from related parties is lower by 16% to ₱558.0 million as of December 31, 2018 from ₱667.7 million as of December 31, 2017, mainly attributable to advances to QUADX Inc. in 2017 which are assigned to LBCH in 2018 as part of the settlement of subscription of shares of QUADX Inc.

Investment at fair value through profit or loss decreased by 70% to ₱131.3 million as of December 31, 2018 from ₱440.8 million which is classified as available-for-sale investments as of December 31, 2017, primarily from redemption of investments amounting to ₱1,215.94 million during the year, and offset by the placement of ₱888.6 million for working capital requirement. The redemption was mostly used in the purchase of entities mentioned above, as part of investments.

Prepayments and other current assets increased by 45% to ₱647.52 million as of December 31, 2018 from ₱ 446.13 million as of December 31, 2017, due to additional prepaid accounts of newly acquired entities amounting to ₱144.75 million, comprised of input value-added tax (VAT), creditable withholding taxes (CWT) and materials and supplies.

Non-current Assets

Property and equipment, net increased by 47% to ₱1,436.1 million as of December 31, 2018 from ₱976.1 million as of December 31, 2017, primarily due to business combination which contributed ₱87.89 million fixed assets during acquisition. Additions to motorcycle fleet and opening of new branches are also factors for the increase in motor vehicle by 88% and leasehold improvements by 16%.

Intangibles, net is higher by 56% to ₱555.4 million as of December 31, 2018 from ₱356.9 million as of December 31, 2017, mostly from the software of the acquired entity engaged in online logistics with net book value amounting to ₱198.2 million as of December 31, 2018. In addition, the LBC Express acquired web filtering software amounting to P15.2 million, on an interest bearing payment arrangement over 18 months.

Investment at fair value through other comprehensive income is lower by 24% to ₱337.5 million as of December 31, 2018 from ₱444.7 million which is classified as available-for-sale investment as of December 31, 2017, relative to movement in market price from ₱1.97/share to ₱1.73/share.

Deferred tax assets - net increased by 4% to ₱302.3 million as of December 31, 2018 from ₱289.5 million as of December 31, 2017 pertaining to the recognition of deferred taxes on contract liabilities in compliance with PFRS15. Deferred tax related to this amounted to ₱11.4 million.

Security deposit went up by 22% to ₱312.4 million as at December 31, 2018 from ₱255.4 million as at December 31, 2017 largely from opening of new branches, warehouses and the transfer of the head office during the year.

Investment in associate amounting to ₱239.0 million is the result of acquisition of 30% equity interest in Orient Freight International, Inc. on March 19, 2018.

Goodwill amounting to ₱492.4 million resulted from acquisition of equity interest in domestic and overseas entities during the year.

Advances for future investment in shares represents the acquisition of shares of entities under LBC Express Holdings USA Corporation amounting to ₱439.8 million. Regulatory approvals were granted on the purchase of LBC Mundial Corporation and LBC Mabuhay North America Corporation on January 1, 2019 while closing conditions are not yet met for LBC Mabuhay Hawaii Corporation.

Other noncurrent assets consist largely of VAT on capital goods which increased by 51% to ₱139.0 million as of December 31, 2018 from ₱92.2 million as of December 31, 2017.

Liabilities

Accounts and other payables were up by 75% to ₱2,806.2 million as of December 31, 2018 from ₱1,603.1 million as of December 31, 2017, primarily due to the following:

> Higher trade payables to outside parties by 106% or ₱696.6 million which is mainly comprised of delivery and freight related payables.

Accrual for contracted jobs increased by 57%, mostly from a higher count of direct manpower to accommodate the increase in volume of operations.

Accrued rent and utilities increased by 37%, related to additional branches and warehouses.

Total accounts payable from newly acquired entities amounted to ₱589.8 million as of December 31, 2018.

Due to related parties amounting to ₱94.0 million as of December 31, 2018 was largely comprised of accounts acquired during business combination. The Group regularly makes advances to and from related parties to finance working capital requirements.

Dividends payable amounting to ₱285.2 million represents the amount declared by LBCH's Board of Directors on December 20, 2018.

Notes payable (current and noncurrent) declined by 20% to ₱829.5 million as of December 31, 2018 from ₱ 1,041.4 million as of December 31, 2017, primarily attributable to higher settlement of notes payable during the year, amounting to ₱361.8 million, and offset by an additional availment of short-term notes payable amounting to ₱150.0 million.

Transmissions liability dropped by 8% to ₱543.9 million as of December 31, 2018 from ₱588.2 million as of December 31, 2017, mainly attributable to a lower amount of merchant liability (from bills payment), by 9%.

Lease liabilities (current and noncurrent) was higher by 19% to ₱140.1 million as of December 31, 2018 from ₱117.7 million as of December 31, 2017, driven by the additional finance leases related to vehicles entered during the year, amounting to ₱46.0 million.

Retirement benefit liability decreased by 5% to ₱672.3 million as of December 31, 2018 from ₱705.3 million as of December 31, 2017, due to the higher fund contributions made in 2018.

Bond payable increased by 24% to ₱1,108.4 million as of December 31, 2018 from ₱896.2 million as of December 31, 2017, mainly from the accretion of interest and impact of higher exchange rates, amounting to ₱161.7 million and ₱50.6 million, respectively.

Derivative liability declined by 24% to ₱1406.2 million as of December 31, 2018 from ₱1,860.4 million as of December 31, 2017, related to fair value gain resulting from lower share price.

Other liabilities decreased by 32% to ₱79.9 million as of December 31, 2018 from ₱118.3 million as of December 31, 2017, mainly from the amortization of existing liabilities related to computer infrastructure, payroll and logistic systems and IT security tools.

As of December 31, 2017 compared to as of December 31, 2016

Assets

Current Assets

Cash and cash equivalents increased by 185% to ₱3,778.4 million as at December 31, 2017 from ₱1,327.8 million as at December 31, 2016. Refer to analysis of cash flows in "Liquidity" section below.

Trade and other receivables increased by 10% to ₱1,675.8 million as at December 31, 2017 from ₱1,526.7 million as at December 31, 2016, primarily due to growth of receivables from customers amounting to ₱166.0 million in relation to increase in revenue from corporate accounts.

Due from related parties decreased by 40% to ₱667.7 million as of December 31, 2017 from ₱1,108.0 million as at December 31, 2016, largely traceable to offsetting of dividend payment to existing receivable of LBC Development amounting to ₱699.0 million.

Available-for-sale investments (current and noncurrent) is higher by 25% to ₱885.5 million as at December 31, 2017 from ₱709.3 million as at December 31, 2016 which resulted from net placement UITF account during the year. LBCEH opened a dollar account and placed US$4.0 million in December 2017. This is offset by loss resulting from lower market value of quoted shares.

Prepayments and other current assets increased by 15% to ₱446.1 million as at December 31, 2017 from ₱388.1 million as at December 31, 2016 mainly because of higher advance rental by P21.8 million resulting from additional Philippines branches (2017: 1,321 vs 2016: 1,249). Input VAT also increased by ₱23.9 million. These increases are offset by decrease in marketable securities by ₱11.0 million. This is classified as “other current assets” since the maturity is more than three months.

Non-current Assets

Property and equipment, net increased by 16% to ₱976.1 million as of December 31, 2017 from ₱840.5 million as at December 31, 2016, primarily due to business expansion which led to net acquisitions of transportation equipment, leasehold improvements and construction in progress resulting to an increase by 23%, 19% and 91%, respectively, based on net book value.

Intangibles, net increased by 34% to ₱356.9 million as at December 31, 2017, from ₱266.0 million as at December 31, 2016, mainly related to acquisition of new payroll and logistics system (Ramco) and IT security tool. This is offset by the increase in amortization charges for the year amounting to ₱65.0 million.

Deferred tax assets, net increased by 6% to ₱289.5 million as at December 31, 2017, from ₱274.4 million as at December 31, 2016, resulted from higher non-deductible expenses from retirement benefit which are charged to other comprehensive income.

Security deposits, increased by 13% to ₱255.4 million as at December 31, 2017, from ₱226.3 million as at December 31, 2016, primarily due to additional branches.

Other noncurrent assets, increased by 31% to ₱92.2 million as at December 31, 2017, from ₱70.1 million as of December 31, 2016, which resulted from the increase in noncurrent portion of input tax on capital assets amounting to ₱5.6 million, higher prepaid rental amounting to ₱7.4 million advance payment for the development of Interblock software amounting to ₱9.0 million.

Liabilities

Accounts and other payables increased by 24% to ₱1,603.1 million as at December 31, 2017, from ₱1,295.1 million as at December 31, 2016. Trade payable from outside parties is higher by 17% mostly from increase in customer deposits and cash bonds. Accrued contracted jobs doubled as at year-end due to increase in headcount to cover the volume transacted during peak season. Taxes payable is higher by 28% which comprise of VAT payable, expanded withholding taxes and withholding taxes on compensation.

Notes payable (current and noncurrent) decreased by 23% to ₱1,041.3 million as at December 31, 2017, from ₱1,359.2 million as at December 31, 2016, primarily due to settlements of short and long-term notes during the year.

Transmission liability increased by 26% to ₱588.2 million as at December 31, 2017, from ₱467.3 million as at December 31, 2016, relative to higher volume of unremitted collection on delivery (COD) transactions this year.

Income tax payable decreased by 51% to ₱125.0 million as at December 31, 2017, from to ₱254.8 million as at December 31, 2016, resulting from payment of 2016 annual income tax.

Finance lease liabilities (current and noncurrent) decreased by 5% to ₱117.7 million as at December 31, 2017, from ₱124.0 million as of December 31, 2016, due to lease settlements in 2017 amounting to ₱45.9 million and offset by additional liability for service vehicles acquired through finance lease during the year amounting to ₱39.6 million.

Bond payable and derivative liability recognition amounting to ₱896.2 million and ₱1,860.4 million, respectively, as at December 31, 2017 is the result of issuance of a seven-year secured convertible instrument, in favor of CP Briks in the aggregate principal amount of US$50.0 million, convertible into 192,307,692 common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date. The proceeds from the issuance of the instrument shall be used to fund the growth of the business of the Group including capital expenditures and working capital. The convertible debt is a hybrid instrument containing host financial liability and derivative component for the conversion and redemption options.

Retirement benefit obligation decreased by 2% to ₱705.3 million as at December 31, 2017, from ₱721.0 million as at December 31, 2016 primarily due to contributions in the plan assets during the year and benefits paid directly by the Group.

Other liabilities account is higher by 243% or ₱83.8 million which comprise of IBM cloud subscription obligation, new payroll and logistics system of LBC and subscription of IT security software.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal sources of liquidity were from internal funds from operations and short-term financing availments for the year ended December 31, 2018. For the years ended December 31, 2016 and December 31, 2017, the Group also resorted to long-term financing through bank loans. On a consolidated basis, as of December 31, 2018, the Company had cash and cash equivalents totalling ₱4,137.4 million. The Company expects that its principal uses of cash for the fiscal year 2019 will be for its operations as well as its organic growth strategies.

The Company expects to meet its operating assets and liabilities, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from its operating cash flows, borrowings and proceeds of the Offer. It may also from time to time seek other sources of funding, which may include debt or equity financings, depending on its financing needs and market conditions.

Cash Flows

The following table sets forth selected information from the Company's consolidated statements of cash flows for the periods indicated:

	For the years ended December 31		
	2016	**2017**	**2018**
Amounts in (₽ millions)	audited	audited	audited
Net cash provided by operating activities	800.6	1,386.3	1,616.8
Net cash used in investing activities	(603.0)	(834.6)	(910.5)
Net cash generated from (used in) financing activities	154.9	1,923.0	(472.1)
Net increase in cash and cash equivalents	352.5	2,474.7	234.2
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.8)	(24.1)	124.8
Cash and cash equivalents			
Beginning of year/period	979.1	1,327.8	3,778.4
End of year/period	1,327.8	3,778.4	4,137.4

Years ended December 31, 2018 and December 31, 2017

Cash flows from operating activities

The Group's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest income and expense, loss on derivatives, unrealized fair value gain from investments through profit and loss, share in equity of net earnings of an associate and, changes in working capital. The Group's net cash from operating activities were ₱1,616.8 million, and ₱1,386.3 million for the year ended December 31, 2018 and 2017, respectively.

For the year ended December 31, 2018, cash flow from operating activities were derived from the normal operations.

Cash flows from investing activities

Cash flow used in investing activities for the years ended December 31, 2018 and 2017 were ₱910.5 million and ₱834.6 million, respectively. Major activities for the year included:

- Business combination in 2018, in which the net cash payment (net of cash acquired) amounted to ₱43.4 million for all acquired subsidiaries. Settlement related to investment in associate amounted to ₱218.3 million.

- Acquisitions of property and equipment and intangibles amounted to ₱540.1 million and ₱164.3 million, respectively, in 2018 while it amounted to ₱354.9 million and ₱38.5 million, respectively, in 2017.

Cash flow from financing activities

Cash flow (used) from financing activities for the years ended December 31, 2018 and 2017 were (₱472.1 million) and ₱1,923.0 million, respectively.

For the year ended December 31, 2017, the inflow from financing activities is primarily from the issuance of a convertible instrument that generated cash amounting to ₱2,505.7 million.

Years ended December 31, 2017 and December 31, 2016

Cash flow from operating activities

The Group's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest expense, loss on derivatives and changes in working capital. The Group's net cash from operating activities were ₱1,386.3 million, and ₱800.6 million for the year ended December 31, 2017 and 2016, respectively.

For the year ended December 31, 2017, cash flow from operating activities were derived from the normal operations.

Cash flows from investing activities

Cash flow used investing activities for the years ended December 31, 2017 and 2016 were ₱834.6 million and ₱603.0 million, respectively.

Cash used for acquisition of property and equipment and intangible assets during the year amounted to ₱354.9 million and ₱38.5 million, respectively. The Group also acquired available-for-sale investments amounting to ₱1,394.0 million, gross of redemptions amounting to ₱1,206.4 million during the year.

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2017 and 2016 were ₱1,923.0 million and ₱154.9 million, respectively.

For the year ended December 31, 2017, the inflow from financing activities is primarily from the issuance of convertible instrument that generated cash amounting to ₱2,505.7 million.

CAPITAL EXPENDITURES

The Group's capital expenditures for the years ended December 31, 2016, 2017 and 2018 were ₱372.82 million, ₱386.25 million and ₱594.57 million, respectively. The table below sets forth the primary capital expenditures of the Group over the same periods.

	For the years ended December 31

Amounts in ₱ millions	2016	2017	2018
Transportation equipment	52.39	67.37	197.09
Leasehold improvements	195.92	193.18	215.88
Furniture, fixtures and office equipment	67.88	54.13	76.60
Computer hardware	56.63	71.57	105.00
Total capital expenditures	**372.82**	**386.25**	**594.57**

LBC Express' capital expenditure plans currently comprise the establishment of additional branches, the improvement of existing branches and further updates to its IT infrastructure.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth the Group's contractual obligations and commitments as of December 31, 2018:

	Contractual Obligations and Commitments Principal Payments Due by Period			
	Total	**Fiscal 2019**	**Fiscal 2020 - 2023**	**After Fiscal 2023**
Finance lease obligations	78,176,452	20,271,292	57,905,160	–
Other liabilities	131,549,113	51,562,931	79,986,182	–
Operating lease obligations	5,393,873,953	993,980,965	4,399,892,988	–
Total	**5,603,599,518**	**1,065,815,188**	**4,537,784,330**	**–**

KEY PERFORMANCE INDICATORS

The table below sets forth key financial performance indicators for the Group for the years ended December 31, 2016, 2017 and 2018.

Financial Key Performance Indicators

	For the years ended December 31		
	2016	**2017**	**2018**
	audited	audited	audited
Gross profit (service fees less cost of services) (₱ millions)	3,104.9	3,414.1	3,950.6
Operating income(1) (₱ millions)	1,386.2	1,438.8	1,603.5
EBITDA(2) (₱ millions)	1,681.6	1,568.2	2,412.5
EBITDA margin (3)(%)	19%	16%	19%
Net income (4) (₱ millions)	913.9	707.9	1,349.0

Net profit margin (5) (%)	11%	7%	11%
Total debt(6) (₱ millions)	1,480.9	4,033.8	3,553.8
Net cash(7) (₱ millions)	(153.1)	(255.4)	583.6

Notes:

(1) Operating income is calculated as income before income tax, interest expense-net and income (expense) related to convertible bonds.

(2) EBITDA is calculated as income before income tax plus depreciation and amortization and interest expense-net. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Group's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Group's presentation of this measure may not be comparable to similarly titled measures used by other companies.

(3) EBITDA as a percentage of service revenues.

(4) Net income before other comprehensive income.

(5) Net income as a percentage of service revenues.

(6) Total debt includes notes payable (current and non-current portion), lease liabilities (current and non-current, excluding deferred lease liability from PAS 17 adjustment), convertible instrument and other liabilities (including current portion presented under Accounts Payable).

(7) Calculated as total cash and cash equivalents less total debt.

FINANCIAL RATIOS

		2018	2017	2016
Current ratio	Current Assets/Current Liabilities	1.71:1	2.51:1	1.67:1
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.47:1	2.98:1	1.74:1
Debt to total assets ratio	Total Liabilities/Total Assets	0.71:1	0.75:1	0.63:1
Return on average assets	Net income attributable to Parent Company/Average Assets(1)	13.08%	8.71%	14.52%
Book value per share	Stockholders' Equity (including non-controlling interest)/Total Number of Shares	₱2.30	₱1.66	₱1.73
Earnings/(Loss) per share(2)	Net Income or (Loss) attributable to Parent Company/ Weighted Average Number of Common Shares Outstanding	₱0.95	₱0.49	₱0.65

Notes:

(1) Average assets is Total Assets at the beginning of the period plus Total Assets at the end of the period, divided by two.

(2) Basic and diluted earnings/(Loss) per share are the same for 2016 and 2017. Diluted earnings/(loss) per share for 2018 is ₱0.68.

DEBT OBLIGATIONS AND FACILITIES

The Group's debt obligations mainly comprise loan and notes availments from various local banks, and the bonds payable to CP Briks.

As of December 31, 2018, long-term notes payable amounted to ₱532.5 million, representing the outstanding noncurrent portion of a 5-year loan availed from Banco De Oro in 2016.

As of December 31, 2018, the bond payable and the derivative liability amounted to ₱1,108.4 million and ₱1,406.2 million, respectively, resulting from the issuance of a seven-year secured convertible instrument (the "Convertible Bonds"), in favor of CP Briks in the aggregate principal amount of US$50.0 million, convertible into 192,307,692 common shares of the Company at the option of the holder at ₱13.00 per share conversion price (using the US$1=₱50 exchange rate). The instrument is due in 2024 or the seventh anniversary from the issuance date.

The Company has covenants under the Convertible Bonds which are standard and customary for transactions of similar nature, including financial covenants to ensure that, on a consolidated basis, (a) the ratio of total debt (excluding the Convertible Bonds) to EBITDA for any relevant period shall not exceed 2.5:1; (b) the ratio of EBITDA to finance charges for any relevant period shall not be less than 5.0:1; and (c) the ratio of total debt (excluding the Convertible Bonds) on each relevant date to shareholders' equity for that relevant period shall be no more than 1:1. The determination and calculation of the foregoing financial ratios are subject to the terms of the LBC Convertible Instrument.[6] The Company also has a covenant to ensure that neither it or its Subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness.

OFF BALANCE SHEET ARRANGEMENTS

As of December 31, 2018, the Group had no off-balance sheet arrangements.

FINANCIAL RISK DISCLOSURE

The Group has been intently monitoring the effects of Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (the "TRAIN Act") on prices, focusing on utilities and oil as these have a direct and indirect effect on the Group's costs. As the Group continues to expand its branch network, warehouse & distribution network, an increase in utility and oil prices will affect the Group's costs which are directed to support increases in sales volumes. The Group is likewise preparing for the effects that an increase in oil prices may have on its carriers and service partners (airlines, shipping lines, trucking companies).

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

The Group is exposed to various types of market risks in the ordinary course of business, including foreign exchange rate risk, credit risk, interest rate risk and liquidity risk.

Foreign Exchange Rate Risk

[6] The calculation of these financial ratios are not the same with the manner of calculation of the Company's key performance indicators.

The Group is exposed to foreign currency exchange rate risk from its money remittance operations. The Group is exposed to fluctuations in exchange rates between the Peso and the U.S. dollar, as well as other currencies in the countries in which it has established operations.

The Group primarily reduces foreign currency exchange rate exposure by entering into currency forward contracts from time to time, as well as managing the timing of payments and settlements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Group is exposed to credit risk through its cash and cash equivalents, trade and other receivables, net, due from related parties and security deposits. Cash and cash equivalents are generally deposited in universal banks as defined by the Philippine Banking System. Universal banks are considered as stable and are the single largest group of financial institutions in the country. Generally, the Group manages its credit risk from trade and other receivables and due from related parties by clearly delineating risk limits and implementing strict requirements relating to the creditworthiness of the counterparty throughout the life of the transaction. With respect to managing its credit risk from security deposits, the Group transacts only with counterparties that have passed its vendor accreditation process and are in good financial standing.

Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated statement of financial position and on some financial instruments not recognized in the financial position. The Group's exposure to interest rate risk relates primarily to the its short-term investments and short-term debt obligations. The Group manages its exposures in interest rate risk by closely monitoring the same with various banks and other financial instruments and maximizing borrowing period based on market volatility of interest rates.

Liquidity Risk

Liquidity risk is the risk from inability to meet obligations when they become due, because of failure to liquidate assets or obtain adequate funding. The Group regularly monitors its cash position to ensure that maturing liabilities will be adequately met by maintaining sufficient cash, having access to committed credit facilities and the ability to close out market positions on certain short-term financial instruments.

Price Risk

The Group closely monitors the prices of its equity securities as well as macroeconomic and entity specific factors which could directly or indirectly affect the prices of these instruments. In case of an expected decline in its portfolio of equity securities, the Group readily disposes or trades the securities for replacement with more viable and less risky investments.

Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers, or factors affecting all instruments traded in the market.

SEASONALITY

The Group tends to experience increased volume in remittance transmission as well as cargo throughput during the months of June and July, corresponding to the start of the school year, and during the months of October and November, in anticipation of the holiday season.

BUSINESS

OVERVIEW

The Company is a holding company which owns 100% interest in LBC Express. LBC Express is a leading provider of courier and freight forwarding services, as well as a leading non-bank provider of domestic remittance services and inbound international remittance services in the Philippines. Throughout LBC Express' over 60-year operating history, the "LBC" brand and logo have come to be recognized by Filipinos living domestically and overseas to represent LBC Express' track record for reliable, timely and far-reaching services. Leveraging its brand equity, experience and wide distribution network, according to the CAB, LBC Express had the largest market share in the domestic air freight forwarding business in the Philippines for the years 2006 to 2017 in terms of weight. Moreover, according to Ken Research, LBC Express had the largest Balikbayan Box market share at 19.29% in terms of revenues in 2015.

LBC Express' two main operating segments comprise (a) Logistics; and (b) Money Transfer Services.

Logistics is LBC Express' primary revenue driver, accounting for 87%, 90% and 92%, respectively, of LBC Express' service revenue for the years ended December 31, 2016, 2017 and 2018. LBC Express' Logistics products are geared toward both retail and corporate clients, which accounted for 62% and 38%, respectively, of LBC Express' total service revenue from the Logistics segment for the year ended December 31, 2018. The main services offered under LBC Express' Logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport). In addition, LBC Express also provides a host of specialized, value-added logistics solutions such as integrated logistics, supply chain management and other tailored logistics solutions. To carry out its Logistics operations, LBC Express utilizes its domestic fleet of approximately 3,187 vehicles (including approximately 2,635 motorcycles and approximately 552 vans as of December 31, 2018) for ground transport in the Philippines and contracts with various domestic and international airline carriers and shipping companies for air and sea cargo transport. As of December 31, 2018, LBC Express offered Logistics services in all of its 1,397 branch locations within the Philippines, as well as to and from 22 other countries and territories in which the Group had branch offices and affiliates or agents. To complement its Logistics offerings, LBC Express also offers additional specialized services such as warehousing and packaging services, among others.

Money Transfer Services, LBC Express' other main business segment, accounted for the remaining 13%, 10% and 8% of LBC Express' service revenue for the years ended December 31, 2016, 2017 and 2018, respectively. The Money Transfer Services segment involves both domestic and international services. Domestic Money Transfer Services comprise (a) domestic remittance services (including branch retail services, pre-paid remittance cards and online and mobile remit); and (b) bills payment collection and corporate remittance payout services. International Money Transfer Services comprises international inbound remittance services. LBC Express leverages on the branch network and delivery fleet of its Logistics business as a platform for its remittance services. It also contracts with remittance fulfillment agents domestically and internationally to expand its network. See *"Business – Money Transfer Services – Remittances – Infrastructure"* on page 118 of this Prospectus. LBC Express' remittance services are targeted primarily at retail customers that may lack access to traditional banking institutions, whether because they are geographically removed or because they are not bank account holders. Its bills payment collection services enable customers to pay their bills for a variety of vendors, such as utilities companies, publications, insurance companies and others, while its corporate remittance payout services enable customers of various insurance companies and employees of certain companies to receive benefits and salary payouts, at any domestic LBC Express-owned branch. As of December 31, 2018, LBC Express' Money Transfer Services have been available at each of its 1,397 -owned domestic branch locations. Its remittance encashment services have also been available at an additional 2,698 branches (as of December 31, 2018) of Palawan Pawnshop, LBC Express' local remittance fulfillment partner. As of December 31, 2018, LBC Express has also been processing international inbound remittances originating from over 14 other countries and territories in which it had branch offices, affiliates and/or agents (including extended networks of LBC Express' agents).

COMPETITIVE STRENGTHS

LBC Express considers the following to be its principal competitive strengths:

Leading provider of express courier services in the Philippines with an extensive domestic network and broad global reach

LBC Express is a leading provider of express courier services to retail consumers in the Philippines, offering a reliable, convenient and cost-effective alternative to the Government-owned and operated postal service. From 2006 to 2017, according to the CAB, LBC Express has consistently been the leader in domestic air freight forwarding in the Philippines in terms of weight. In 2017, LBC Express continued to be major player in domestic air freight forwarding business taking the lion's share at 21.98% of the total cargo traffic according to CAB. In 2015, according to Ken Research, LBC Express was also a leader in the transport of Balikbayan Boxes, with a 19.29% market share in terms of revenues. LBC Express' services are accessible to retail clients through its expansive domestic distribution network which, as of December 31, 2018, comprised 1,397 owned-branches covering nearly 30,000, or approximately 70% of the total number of, barangays (most basic administrative divisions) in the Philippines. In addition, LBC Express' domestic fleet of 2,635 motorcycles and 552 vans (as of December 31, 2018) enables the convenience of the door-to-door pick-up service that has become a hallmark of LBC Express' value-added offerings. LBC Express' network also provides coverage in key international markets with significant OFW presence, making its services attractive for both domestic and overseas Filipinos. LBC Express believes that, with its established platform and market position in the retail logistics industry, it will benefit significantly from the positive growth prospects of the Philippine domestic economy and private consumption in the coming years, and it seeks to continue growing its core retail Logistics business, while at the same expanding its corporate logistics offerings and its Money Transfer Services business.

Iconic brand in the Philippines widely recognized for reliability, efficiency and service excellence with over 60-year operating history

LBC Express believes that the strength of the "LBC" brand is one of its key competitive advantages. The "LBC" brand has gained significant recognition in the Philippines and among OFWs throughout LBC Express' over 60-year operating history. As the first Filipino-owned company to provide time-sensitive courier and cargo delivery services and the pioneer in 24-hour door-to-door delivery services in the Philippines, LBC Express has a long-established reputation for being a trustworthy and dependable provider of on-time deliveries of important goods and documents. Today, LBC Express believes that the "LBC" brand has become synonymous with top quality service. When LBC Express expanded into the remittance business in the early 1980s, the brand equity and goodwill of the trusted "LBC" brand contributed to the success of this new business. In addition to its extensive geographic reach and marketing efforts, LBC Express' dedication to efficiency, reliability and general service excellence has earned it considerable goodwill and trust from its customers. The "LBC" brand was one of Reader's Digest Trusted Brand Winners – Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, LBC Express was considered one of the Best-of-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012. According to the LISBON Survey, in 2012, LBC Express achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. Other prestigious awards bestowed upon LBC Express include: Readers Digest Trusted Brand

Platinum Award Airfreight and Courier Category 2017, Readers Digest Trusted Brand Gold Award Remittance Category 2017, The Filipino Times Preferred Freight Forwarding Company in the Middle East 2015-2016, The Filipino Times Preferred Remittance Service Provider in the Middle East 2015-2016, Asia Pacific Entrepreneurship Award for Corporate Excellence in the Transportation and Logistics Industry category for 2018, TFC Champion of the Filipino Consumer Award 2015, Silver Anvil Award for LBC "Moving Spaces" Public Relations Category 2015, Silver Anvil Award for LBC "#moveitformanny" Public Relations Tools Category 2015, Araw Values Bronze Award for #moveitformanny" branded communications category 2014. To keep up with growing expectations of customers, LBC Express continues to set challenging targets for itself in terms of delivery efficiency and customer satisfaction, as well as goals for further improving its image and brand.

Highly scalable business operations with nationwide distribution network and robust IT infrastructure

LBC Express' Logistics and Money Transfer Services businesses are both highly scalable, making use of an integrated platform to provide complementary services that accommodate a broad range of clients, geographies and needs. Shared resources and services between the Logistics and Money Transfer Services segments have provided LBC Express with economies of scale that might not otherwise be attainable for companies focusing on only one or the other of LBC Express' two business segments. For example, the extensive domestic branch network, delivery vehicle fleet, IT infrastructure, trained workforce and readily available cash from LBC Express' original Logistics business enabled LBC Express to seamlessly enter into the money remittance industry at low marginal cost in the early 1980s. With the same infrastructure and acquired know-how, LBC Express has also been able to expand into corporate logistics and offer additional money transfer services with low start-up costs and relative ease. LBC Express believes that its current distribution facilities, warehouses and delivery vehicles are not yet at full utilization and that there remains significant potential to scale its business even with the existing infrastructure it has in place. In addition, LBC Express' integrated IT system and model of leasing rather than purchasing branch properties has enabled and will continue to enable it to grow its distribution network rapidly, which is key for competitive positioning and effective delivery of quality service in all its business segments.

LBC Express also believes that its robust IT systems and increasing degree of automation ensure efficient operations and concurrently contribute to an optimal cost structure for its business. See *"Business – Information Technology"* on page 122 of this Prospectus. Customers benefit directly from LBC Express' state-of-the-art IT infrastructure in the form of real-time status updates on forwarded parcels or cargo, as well as reduced processing time.

Leading provider of remittance services to both domestic and overseas unbanked Filipino population providing value-added services to customers with the significant synergies with its core Logistics services

LBC Express believes that it is a leading non-bank Philippine provider of domestic and international inbound remittance services. Leveraging on its existing platform of 1,397 owned-branches and domestic fleet of 3,187 delivery vehicles, which are shared with the Logistics business, LBC Express is able to provide remittance services at lower costs and in more locations than traditional banking institutions in the Philippines. As a result, LBC Express has developed a strong customer base in the unbanked Philippine population, which accounted for approximately 65.50% of the total Philippine population as of December 31, 2017, based on the Global Findex Database of the World Bank. LBC Express believes that with the continuing recovery of the global economy and increasing levels of private consumption in the Philippines, the money transfer industry will maintain strong growth momentum in the near and medium-term future and that LBC Express will continue to be a provider of choice for remittances for Filipinos. LBC Express also believes that its money remittance business, which has historically displayed strong volume growth even during times of economic slowdown, will continue to provide it stability in its operations and results in times of economic volatility. Moving forward, LBC Express also believes the strength of its remittance business, coupled with its strong brand equity, will result in an increasing number of remittance customers availing of LBC Express' Logistics products and services.

Uniquely positioned to benefit from the surging demand for corporate logistics solutions

As the Philippine economy continues to grow and certain industries mature, corporations are increasingly outsourcing logistics functions to third party logistics providers. Along with improvement and penetration of technology and E-commerce in the consumer industries, logistics has become increasingly global in nature, creating new business opportunities for LBC Express in areas such as international freight forwarding, warehousing and inventory management. With an established operational platform which includes an extensive domestic and international distribution network, an integrated IT infrastructure and a widely recognized and trusted brand, LBC Express believes it is favorably positioned to compete for market share in the growing corporate logistics industry. LBC Express has already increased its focus on the corporate sector in recent years, broadening its scope of services from traditional courier and freight forwarding services to specialized corporate solutions such as fulfillment processing, packaging and repacking, printing and mailing of invoices and others. LBC Express has established close working relationships with several carriers throughout the Philippines' major ports, affording it prioritized capacity and processing opportunities and reducing origin-to-destination transit time. LBC Express also maintains an extensive network of strategically located warehouses, distribution centers and delivery hubs (secondary distribution centers), which are not yet at full utilization and can be scaled to grow LBC Express' corporate logistics segment. LBC Express believes that it will be well-positioned to capture growth from corporate clients as the Philippine economy continues to grow.

Best-in-class management team with established track record

LBC Express' senior management team has extensive experience in business management and market development, combined with a deep understanding of the Philippine logistics and remittance industries and a track record for successful expansion into overseas markets. Their strong management skills and business acumen have also been recognized by the wider business community in the region. Together, the senior management team has over 100 years of combined experience in the logistics and remittance industries. Under their leadership and guidance, LBC Express utilizes targeted strategies to maintain and grow its market leadership in established business segments and compete for additional market share in growing business segments. LBC Express believes that its strong management team enables it to continue improving the efficiency of its operations, the quality of its service offerings and its ability to satisfy its customers' requirements.

KEY STRATEGIES

Continue to invest in IT infrastructure and operations to enhance efficiency and service quality

The Group is committed to continuing to invest in state-of-the-art IT systems to maintain its competitive edge and more effectively deliver quality service to its customers. LBC Express embarked on a massive enterprise-wide digital transformation program with Ramco Systems. LBC Express implemented Ramco HCM in fiscal year of 2017. This includes modules for Core HR, Time & Attendance, Leave Management, Employee Self Service, and Recruitment. The move to a unified web-based application enables LBC Express' HR team to focus on more strategic HR initiatives while aspects related to employee self-service, which were hitherto manual will now be completely automated. Employees on the other hand will be able to get real-time access to data via SMS chat, Mail transactions, CHATBOT among others. This is expected to reduce employee support cost, time and effort, substantially. On top of HR and Payroll solutions, LBC Express implemented Ramco Logistics in fiscal year of 2018 up to fiscal year of 2019. Ramco Logistics solution covers the need of all the business operations from Transportation to warehousing to order management for Parcel/courier service providers, forwarders, 3PL who are seeking high Performance logistics software. Current IT landscape consists of several applications where the information for the same parameter is available in different parts of the system. Ramco Logistics solution allows LBC Express to standardize into one technology and application platform thus eliminating redundancy in operations and achieving absolute data integrity and scope for planning and optimization. LBC Express provided handheld scanners to its entire team of couriers to improve the collection of tracking data as well as the efficiency of its couriers by eliminating human error and reducing the amount of manual paperwork necessary. The consolidation of data across its various business functions will provide management with a greater means to monitor the business and make key operational decisions. In addition, to ensure the quality and uninterrupted delivery of its service as well as the safety of its employees, LBC Express will continue to ensure that its operational equipment remains well maintained and updated from time to time. Toward this end, LBC Express began refleeting most of its delivery vehicles in fiscal 2014. LBC Express believes that these investments in technology and operational equipment will yield significant cost savings and productivity enhancement. See also *"Business – Information Technology"* on page 122 of this Prospectus. LBC Express also recently launched LBC Connect which allows the customers to download this application in their mobile to Track their shipments. Calling or sending a message to LBC Express' Customer Service is literally done in one tap. LBC Connect bookmarks the tracking numbers you searched in the application and also helps customer finding the LBC branch near them via branch locator. LBC Express will continue to evaluate new products and technologies as they come to market and will prudently invest in software and devices to enhance the management and efficiency of its operations.

Continue to leverage LBC Express' platform and brand to expand into adjacent businesses

As a result of the expected growth of the Philippine economy in the near term, increased sophistication of Philippine corporates, improved technology and increased emphasis on E-commerce, LBC Express anticipates many opportunities to expand into adjacent business segments by leveraging its established business platforms and brand equity. These adjacent businesses include, among others:

International Freight Forwarding. LBC Express has entered into a partnership agreement with OHL, a global provider of air and sea freight forwarding services, effective August 1, 2013, to operate as a licensed NVOCC, whereby each party has mutually appointed the other to serve as a non-exclusive sales and handling agent for air and sea freight forwarding to and from the United States, China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, Australia and the United Kingdom to Manila. Whereas in the past, LBC Express was required to operate through an international freight forwarder for international shipments, this agreement enables LBC Express to engage in the business of international freight forwarding, transacting directly with international shipping companies, through its partnership with OHL. This will enable LBC Express to lessen its own reliance on other international freight forwarders as well as provide international freight forwarding services to others as a new service offering. LBC Express intends to expand its international freight forwarding business in the future, exploring the possibility of forming partnerships with other NVOCCs and international freight forwarders.

E-commerce Fulfillment and Payment Solutions. LBC Express also aims to take advantage of the growth in E-commerce in the Philippines, which it believes could translate into significant growth potential for both of its businesses. As E-commerce increases, the demand from online retailers for warehousing, packaging, delivery, billing, payment and other services that LBC Express provides will continue to grow. With its existing logistics and bills payment collection platforms, LBC Express believes it is well-positioned to be the integrated logistics and money services provider of choice for corporate E-commerce clients. LBC Express aims to target direct sellers, online resellers and buyers, with services such as same day delivery, SMS notifications, personalized packages and Send & Swipe options, among others. LBC Express recently created shippingcart.com to allow customers to shop anywhere in the world by providing a personal P.O. box and payment solutions such as cash, credit card, and bank transfer. LBC Express also intends to create a secure trade platform as an integrator of payments, including cash, credit card and bank transfer. As of the date of this Prospectus, LBC Express has already entered into contracts with certain E-commerce companies to provide fulfillment and delivery services.

Integrated Port and Logistics Services. In addition, LBC Express plans to leverage its experience in the logistics and sea cargo forwarding industries and intends to establish a Super Hub. The Super Hub is an integrated port and logistics facility that conducts warehousing activities customized to suit various customer needs. It can accommodate both air cargo and sea cargo requirements originating from or destined for Metro Manila that passes through the Port of Manila or through the NAIA international airports (Terminals 1, 2, and 3) and the domestic airport (Terminal 4). LBC Express seeks to capture the potential customized warehousing and logistics, and to provide a one (1)-stop hub to customers aimed to increase efficiency by reducing costs for customers by offering services such as (a) transportation, (b) storage (both regular and specialized temperature-controlled) facilities, (c) distribution facilities, and (d) customs and quarantine services, among others. LBC Express has two (2) facilities located in Alabang and Cupang, both in Muntinlupa, Metro Manila. These facilities have a combined floor space of approximately 10,000 sq.m. of pallet space. LBC Express currently services various customers and offer cross–docking services, which minimizes the handling and storage for the distribution of the clients' products directly to their customers or retail chains. Moreover, LBC Express also provides warehousing solutions for goods, including product receipting and shipment, order requirements, and inventory management to ensure that stock management practices are in place. Lastly, LBC Express also provides pick-and-pack services for select customers, which involves sorting, assembly and disassembly, and repackaging of the clients' goods.

Cold Chain Supply. LBC Express also intends to expand its existing cold chain business. This refers to the uninterrupted series of pre-cooling, packaging, handling, transportation, storage and distribution of good while maintaining a defined temperature range. Cold chain capabilities are typically required for high-value crops, fishery, poultry and livestock products, pharmaceuticals and other perishable goods. LBC Express believes that there is a significant growth potential in this industry, and intends to continuously develop its logistics infrastructure to support its cold-chain requirements by investing further into temperature-controlled warehouses, reefer vans and reefer trucks. Currently these services include containerized transfers using inter modal transport for the distribution of frozen and chilled products, as well as primary transport for both re supply and general trade deliveries. The service also includes central booking services and administrative temperature data recording.

LBC Express aims to continue evolving its services and capabilities to anticipate and meet the needs of corporate clients and capture value from the growth of the general Philippine economy.

Continue to expand internationally

The Group has an extensive network of branches, affiliates and agents in over 22 countries and territories worldwide. The Group believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada and the Middle East. As part of the effort to capture market share in such underserved markets, the Group plans to improve and renovate its existing branches in order to more efficiently handle and process customer needs and provide service excellence. In addition, the Group continuously reviews opportunities to operate in markets where OFWs are deployed or where Filipinos are migrating, including Germany, Korea, Kuwait, Bahrain and Qatar, where the Group recently opened branches. As a part of its strategy to broaden its international coverage, the Group will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

Continue to invest in brand equity

The Group's long history and extensive domestic and international branch network have established widespread recognition of the "LBC" brand among domestic Filipino customers and OFWs alike. They are not only critical assets for attracting retail and corporate customers but also yield cost savings and access to priority services. For example, LBC Express' established relationships with third party air and sea transport providers have enabled it to gain fixed cargo space on planes and first right of access to empty containers from shipping carriers. These and other benefits enable LBC Express to quickly fulfill customer orders.

LBC Express aims to continue building its brand equity through advertising and promotional activities. LBC Express regularly advertises on television, radio and billboards, as well as in print and on the Internet. It also provides service and financial contributions to charitable causes through the LBC Hari ng Padala Foundation, Inc., an affiliate of LBC Express, and participates in other community outreach exercises such as sponsorship of the Ronda Pilipinas (the largest Philippine cycling race), golf tournaments and athletic events of Filipino boxer and politician Manny Pacquiao. See *"Business – Corporate Social Responsibility – Community Outreach"* on page 137 of this Prospectus. LBC Express believes that in addition to fulfilling its commitment to corporate social responsibility, these activities help raise the recognition of the "LBC" brand and understanding of LBC Express' core values. See *"Business – Marketing and Sales"* on page 122 of this Prospectus.

In November 2013, LBC Express and LBC Development Corporation undertook a re-launch of the "LBC" brand name to emphasize the entrepreneurial and adaptive spirit of LBC Express that is complementary to its long heritage. The marketing campaign features a new formulation of LBC Express as not simply a mover of goods but also a mover of space ("space where people can reconnect and relate") with the aim of highlighting the human connection in the services provided by LBC Express to its customers. Pursuant to the same marketing campaign, the logo has also been re-designed its logo and its corporate slogan changed to "We like to move it," highlighting the corporate logistics segment of its business.

In 2017, LBC Express launched "Totoo ang Ligaya," a global campaign particularly directed towards its millions of customers in various parts of the world. This was a follow-up to the widely successful 2016 campaign launched called "Aming Ligaya." Previous campaigns also included, in 2015, "Paulo"—a sales & marketing campaign highlighting the remittance business, and 2014's Global Brand Ambassador Endorser Campaign "Everywhere," featuring mega endorser Kris Aquino.

Selectively pursue acquisition opportunities

In addition to its commitment to invest in organic growth, the Group also plans to augment its breadth of service offerings and depth of operations by selectively and strategically pursuing sound acquisition opportunities. In evaluating such opportunities, The Group will consider, among other factors, whether the potential target company has synergies with LBC Express' existing operational platform, whether the potential target will enable LBC Express to grow its customer base and market share in existing businesses, whether it will provide LBC Express with the platform or know-how to expand into new business areas, and whether it will provide synergies in terms of efficiencies and revenue generation. The Group believes that prudent investment in strategic acquisitions will bring attractive returns to its revenues, profit and growth over the medium to long term.

HISTORY

Corporate Reorganization

The Company was incorporated and registered with the SEC as "Federal Chemicals, Inc." on July 12, 1993. At the time, the Company was principally engaged in the business of manufacturing various adhesives and sealants and other chemicals for hardware, construction, do-it-yourself and industrial applications. The Company has been a publicly-listed company since December 21, 2001, and was traded under the ticker symbol “FED” on the PSE.

On September 28, 2007, the change in corporate name from Federal Chemicals, Inc. to Federal Resources Investment Group, Inc. as well as the change in the primary purpose of the Company to that of a holding company was approved by the SEC.

On April 23, 2015, the Board of Directors of the Company approved the issuance of 59,101,000 common shares, at ₱1.00 per share, out of the unissued portion of the Company’s authorized capital stock to LBC Development Corporation, subject to acceptable documentation being arrived at, as well as the fulfillment of such conditions agreed upon by the parties, including a mandatory tender offer, where required under relevant laws and regulations.

The Company needed to raise additional capital through the issuance of new shares out of the unissued portion of the Company’s authorized capital stock for general corporate purposes. Further, such infusion was preparatory to a potential additional investment of LBC Development Corporation into the Company as a result of the ongoing due diligence on the Company.

On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the authorized capital stock of the Company. The consideration for the subscribed shares was ₱59,101,000.00 or ₱1.00 per share.

On May 22, 2015, LBC Development Corporation filed with the SEC its mandatory tender offer report for all the outstanding shares of the Company for a tender offer price of ₱1.00 per share. The mandatory tender offer period commenced on June 8, 2015 and ended on July 7, 2015. On July 14, 2015, LBC Development Corporation filed with the SEC its final tender offer report.

On July 22, 2015, the Company issued the stock certificates covering the subscribed shares to LBC Development Corporation.

On July 29, 2015 and in consonance with such change in control, the Board of Directors of the Company approved the acquisition by the Company of all the outstanding shares of stock of LBC Express, at the time a wholly-owned subsidiary of LBC Development Corporation, at the book value of not less than ₱1 billion. The Board also approved the following:

(i) increase in the authorized capital stock of the Company from ₱100 million to up to ₱3 billion;

(ii) the issuance of shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation and/or to other investors and/or third parties for the purpose of (a) funding the acquisition by the Company of all the outstanding shares of stock of LBC Express; (b) funding the acquisition of other potential investments, whether or not related to the business of LBC Express; and (c) ensuring compliance by the Company with the minimum public ownership requirements of the PSE;

(iii) the change in the name of the Company to “LBC Express Holdings, Inc.”; and

(iv) the change of the trading symbol “FED” to “LBC”.

On September 4, 2015, the stockholders of the Company approved all of the foregoing matters.

On September 18, 2015, pursuant to the authority to issue shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation, the Company and LBC Development Corporation entered into Subscription Agreements, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 1,146,873,632 additional Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱1,146,873,632.00 (the "Additional Subscriptions"), consisting of 475,000,000 shares issued from the increase in the authorized capital stock of the Company and 671,873,632 shares issued out of the authorized and unissued capital stock of the Company, following the approval by the SEC of the increase in the authorized capital stock of the Company from ₱100,000,000.00 divided into 100,000,000 Common Shares with par value of ₱1.00 per Share, to ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with par value of ₱1.00 per Share (the "Capital Increase"). Notices of exemption for the Additional Subscriptions were filed with the SEC on October 13, 2015. Following the Additional Subscription and the subscription by the Subscribers as discussed in the following paragraph, the shareholdings of LBC Development Corporation in the Company increased to 80.43% of the total issued and outstanding capital stock of the Company.

On October 2, 2015, the Company entered into Subscription Agreements with each of Vittorio P. Lim, Mariano D. Martinez, Jr., and Lowell L. Yu (collectively, the "Subscribers"), wherein subject to the approval by the SEC of the Capital Increase, the Subscribers agreed to subscribe, and the Company agreed to issue, a total of 178,991,839 Common Shares of the Company at the par value of ₱1.00 per share or an aggregate subscription price of ₱178,991,839.00 out of the authorized and unissued capital stock of the Company. The foregoing subscription was undertaken to ensure compliance by the Company with the PSE Minimum Public Ownership ("MPO") requirement of at least 10% of the outstanding capital stock of the Company. A notice of exemption for the subscription was filed with the SEC on October 13, 2015.

On September 24, 2015, the Company purchased from LBC Development Corporation a total of 1,041,180,493 shares of stock in LBC Express for an aggregate purchase price of ₱1,384,670,966.00.

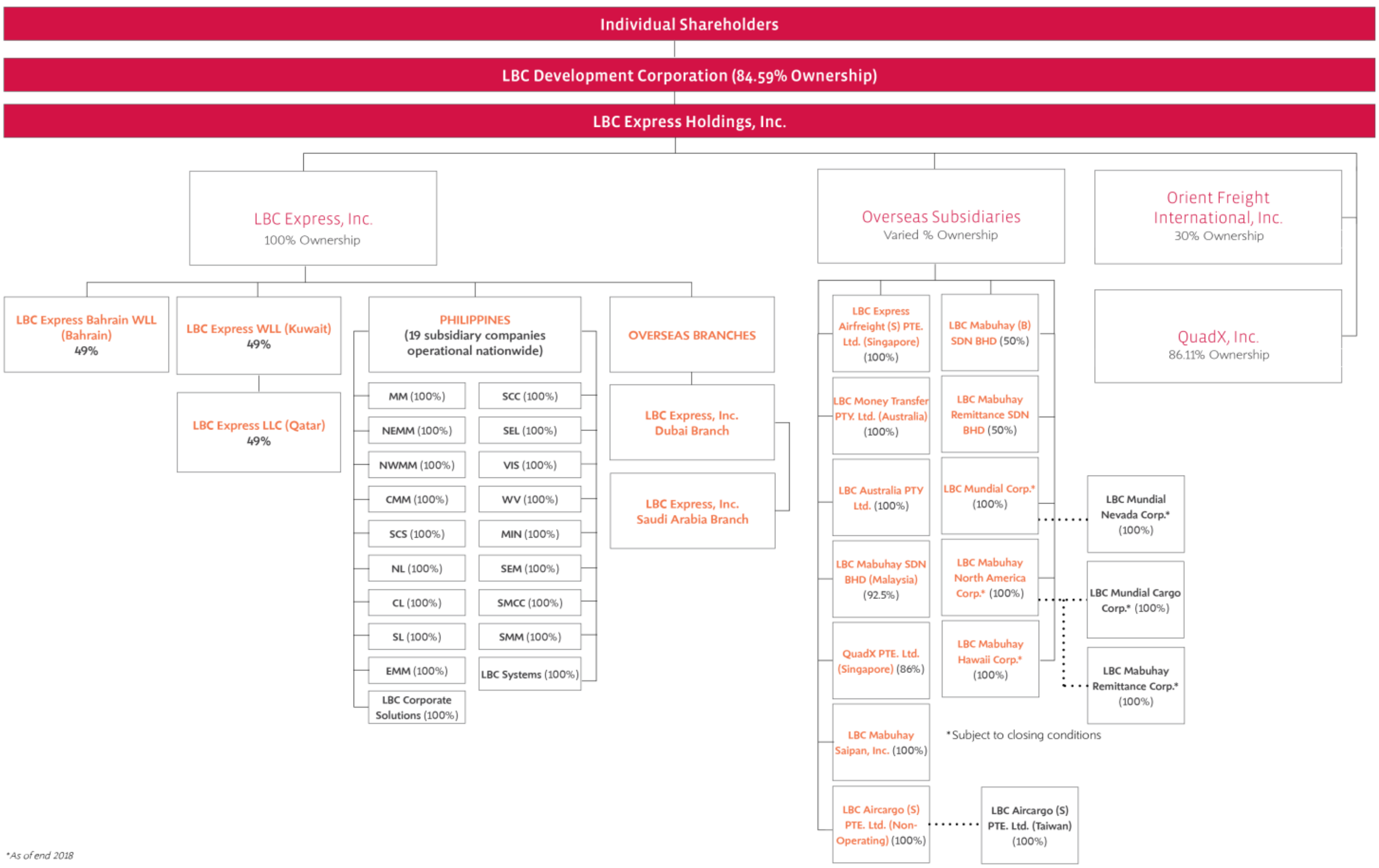
LBC Express History

LBC Express was initially founded in 1950s as "Luzon Brokerage Corporation." It subsequently changed its name to "LBC Air Cargo, Inc." and operated as a brokerage and air cargo agent. A few years after incorporation, LBC Express evolved into an express delivery service, becoming the first Filipino-owned private courier company to provide time-sensitive deliveries in the Philippines and offer customers an alternative to the Government-owned and operated postal service. In 1973, LBC Express pioneered 24-hour door-to-door express delivery and messengerial services in the Philippines, providing greater convenience to its existing customers and further expanding its market share. Its corporate name was formally changed to "LBC Express, Inc." on April 26, 1988 to reflect the express delivery services that had come to form its hallmark business. In the 1990s, LBC Express adopted the slogan "Hari ng Padala", or Tagalog for "King of Forwarding Services." From 2006 to 2017, according to the CAB, LBC Express has consistently been the leader in domestic air freight forwarding in the Philippines in terms of weight. In 2017, LBC Express continued to be major player in domestic air freight forwarding business taking the lion's share at 21.98% of the total cargo traffic according to CAB. While LBC Express' Logistics business still primarily comprises retail express courier and freight forwarding services, it has also expanded its product mix to offer services targeted at corporate customers, including full container load ("FCL") and less-than-container load ("LCL") sea freight forwarding and end-to-end logistics solutions.

In the early 1980s, LBC Express entered into the domestic remittance business, leveraging the existing branch network of its Logistics business as customer contact points for remittance acceptance and fulfillment, growing this business at low marginal cost. Beginning in 1999, LBC Express expanded its Money Transfer Services segment by offering bill payment collection services in the Philippines by serving as a third party collection agent for various vendors throughout the Philippines. In 2006, LBC Express also began remittance encashments for customers of its local remittance partner, Palawan Pawnshop.

LBC Express commenced its international money transfer operations in 1987 by establishing relationships with agents and affiliates in the United States and steadily expanding its network elsewhere globally to provide fulfillment services for inbound international remittances. LBC Express later leveraged the network of its overseas affiliates to expand its Logistics business internationally as well. Today, LBC Express provides courier and freight forwarding services in 22 countries and territories outside of the Philippines and fulfillment services for inbound remittances originating from over 30 countries and territories outside the Philippines, including the United States, Canada, the Asia Pacific region, Europe and the Middle East.

The following diagram illustrates the operating ownership structure of the Company:



Below is a list of the wholly-owned subsidiaries of LBC Express in the Philippines:

Name of Subsidiary	Year of Incorporation
LBC Express – MM, Inc.	1992
LBC Express – VIS, Inc.	1992
LBC Express – NWMM, Inc.	1991
LBC Express – NEMM, Inc.	1991
LBC Express – WV, Inc.	2004
LBC Express – MIN, Inc.	1992
LBC Express – SEM, Inc.	2004
LBC Express – CL, Inc.	1992
LBC Express – SL, Inc.	1993

Name of Subsidiary	Year of Incorporation
LBC Express – NL, Inc.	1991
LBC Express – SCC, Inc.	1991
LBC Express – SEL, Inc.	2003
LBC Express Corporate Solution, Inc.	1992
LBC Express – CMM, Inc.	2009
LBC Express – EMM, Inc.	2009
LBC Express – SCS, Inc.	1991
LBC Systems, Inc.	1983
LBC Express – SMM, Inc.	1991
South Mindanao Courier Co., Inc.	1993

Except for South Mindanao Courier Co., Inc. and LBC Express – SMM, Inc., the principal offices of the 17 other subsidiaries named above are located in the General Aviation Center, Domestic Road, Pasay City. The principal office of South Mindanao Courier Co., Inc. is located at Door No. 7, Yabon Building, Darimco Silway, Dadiangas West, General Santos City, while the principal office address of LBC Express – SMM, Inc. is located at the 3rd Floor Sycamore Centre, Alabang Zapote Road, Alabang, Muntinlupa City.

LBC Express entered into Independent Sales and Service Agreements with its 19 wholly-owned Subsidiaries named above, whereby each Subsidiary is appointed as the non-exclusive general and independent sales and service agent ("SSA") of LBC Express for a specific portion of the Philippine territory, and the subsidiary shall perform various functions for LBC Express, such as the following:

a. Sales, advertisement, marketing and promotion of the courier, cargo and money remittance products and services, in accordance with the pricing schedule, rules, regulations, and directives provided by LBC Express;
b. Overseeing of customers in the specific territory and settlement of accounts with these customers, if required, in respect of sales of transportation of LBC Express under issuance of the appropriate transportation documents;
c. Familiarizing itself with and adhering to LBC Express' Know-Your-Client rules, and other applicable procedures with respect to the money remittance business;
d. Providing LBC Express with information concerning local laws, regulations and other similar information that may affect LBC Express, the SSAs and/or the transactions contemplated by the SSAs;
e. Providing monthly reports of present and future market developments, including behavior of competitors and other relevant sales or commercial information;
f. Representing LBC Express in negotiations with local government authorities, officials, offices and agencies;
g. Preparation of all documents as may be required by LBC Express for compliance with laws and regulations;
h. Planning, executing and implementing special publicity or advertising within the specific territory of the SSA; and
i. Arranging for appropriate identification of LBC Express at all the SSA's offices/branches in the territory and timely distribution of LBC Express' timetables, pricing/rate sheets, directives, promotional materials and like to the general public.

Of the 19 wholly-owned Subsidiaries which entered into Independent Sales and Service Agency Agreements with LBC Express, only 16 perform functions related to the remittance business of LBC Express. LBC Express Corporate Solution, Inc., LBC Express – SCS, Inc. and LBC Systems, Inc. perform functions related only to the logistics business of LBC Express.

Although the other 16 wholly-owned Subsidiaries perform functions related to the remittance business of LBC Express, they are not considered as a Remittance and Transfer Company ("RTC") as defined under BSP Circular no. 942 s. 2017. Under such BSP circular, an RTC, operating as remittance agents, or an "entity that operates a remittance business network", is required to register its network with the BSP. A duly registered RTC may accredit Remittance Sub-Agents ("RSA"), who shall perform certain relevant undertakings in the remittance business of the RTC, on behalf thereof. Under BSP Circular no. 942, s. of 2017, only the RTC is required to register as such with the BSP. However, the RTC must provide the BSP of the list of its accredited RSAs. The individual RSAs do not need to separately register with the BSP.

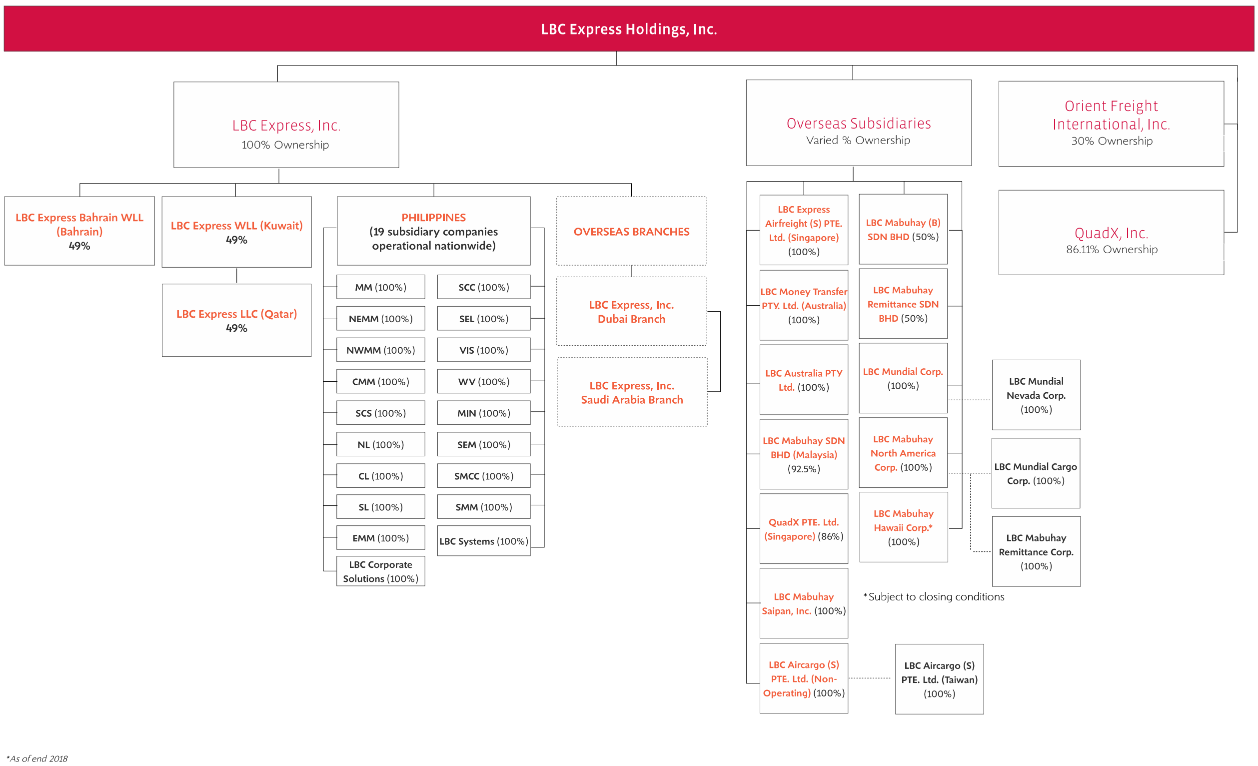
The Subsidiaries of LBC Express who perform certain functions related to the remittance business of LBC Express are considered by the BSP to be part of the remittance network of LBC Express. As such, although these Subsidiaries perform certain functions related to the remittance business for LBC Express (pursuant to the Independent Sales and Service Agency Agreements), they are not required by the BSP to register separately. The BSP requires only the RTC (which is LBC Express) to register separately, and to include in its application for registration its entire remittance network (including information on its Subsidiaries.

Currently, the 19 wholly-owned Subsidiaries named above render services to LBC Express only, but they are not prohibited from providing services to other entities under the Independent Sales and Service Agency Agreements.

LBC Express owns 100% interest in LBC Mabuhay Saipan, Inc., a company engaged in the business of providing cargo and remittance services in Saipan. LBC Express owns 49% interest in both LBC Express Shipping Company WLL, a company engaged in the logistics business which was incorporated in Kuwait in 2011 and LBC Express Bahrain WLL, a company engaged in the logistics business which was incorporated in Bahrain in 2013. LBC Express Shipping Company WLL in turn owns 49% interest in LBC Express LLC (Qatar), a company engaged in the logistics business which was incorporated in 2012.

LBC Express owns 30% interest in Orient Freight International, Inc., a company engaged in freight forwarding, warehousing and customs brokerage business in the Philippines which was incorporated in the Philippines in 1973.

The following diagram illustrates the prospective conglomerate map of the Company as of December 31, 2018:



SERVICES

The Group's business comprises two primary segments: (a) Logistics; and (b) Money Transfer Services. The table below presents the components of the Group's revenue associated with its business segments for the periods indicated.

	For the years ended December 31		
	2016	**2017**	**2018**
Logistics			
Retail	4,964.0	5,751.7	7,186.4
Corporate	2,557.9	3,229.5	4,365.1
	7,521.9	8,981.2	11,551.5
Money Transfer Services			
Domestic(1)	1,058.4	907.1	799.5
International Inbound(2)	115.1	131.8	163.2
	1,173.5	1,038.9	962.7
Total Service Revenue	8,695.4	10,020.1	12,514.2

Notes:

(1) Comprises fee income from domestic remittances and bills payment collection services.

(2) Comprises fee income from international inbound remittances.

Logistics

Logistics

The Logistics business is the Group's primary source of revenue, accounting for 87%, 90% and 92%, respectively, of the Group's overall service revenue for the years ended December 31, 2016, 2017 and 2018. The Group serves two primary customer segments within the Logistics business: (a) retail customers; and (b) corporate customers. The main services offered to retail customers include courier, air cargo forwarding and Balikbayan boxes services. The main services offered to corporate clients include, in addition to courier and freight forwarding services, Specialized Corporate Solutions, or corporate logistics services tailored to the specific needs of the client.

As of December 31, 2018, the Group has offered Logistics services at 1,397 LBC Express-owned branches in the Philippines and 71 Group- and affiliate-owned branches in 22 other countries and territories worldwide.

The following table presents the total fee income for retail and corporate logistics, broken down by country or region:

	For the years ended December 31,		
Amounts in ₱ millions Country	**2016**	**2017**	**2018**
Retail			
Domestic	3,970.22	4,590.53	5,490.51
Middle East........................	993.78	1,143.11	1,213.39
Others	-	18.01	482.46
	4,964.00	5,751.65	7,186.36
Corporate			
Domestic............................	2,260.47	2,936.54	4,008.24
North America	172.00	164.49	250.04
Asia Pacific........................	64.22	69.16	77.36
Australia	23.90	27.95	-
Europe	37.28	31.37	29.47
Others	-	-	-
	2,557.87	3,229.51	4,365.11
Total.................................	7,521.87	8,981.16	11,551.47

Retail Logistics

Retail Logistics comprised 66%, 64% and 62% of the Group's service revenue from Logistics for the years ended December 31, 2016, 2017 and 2018. The Group's primary retail Logistics offerings are its "Express" products (comprising courier and air cargo forwarding) and Balikbayan Boxes.

Courier

Courier services are the Group's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-sensitive basis. LBC Express generally makes domestic courier deliveries within 24 hours of acceptance and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. LBC Express is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and LBC Express imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service.

Air Cargo

Cargo refers to larger packages and boxes (typically weighing over three kilograms). As with courier services, LBC Express generally makes express deliveries of domestic air cargo within 24 hours of acceptance, while international air cargo is generally delivered within one to three days of acceptance, depending on the destination country. LBC Express charges for air cargo forwarding and items delivered by ground based on volumetric weight (a function of both the actual weight and dimensions of the cargo) and final destination, as well as add-on charges for extra services such as pick-up in certain areas, additional insurance and same-day delivery service.

Balikbayan Boxes

The Balikbayan Box is a box shipment of personal effects cargo sent by retail customers to friends and family domestically and internationally. Balikbayan Boxes are forwarded by LBC Express by way of sea transport and generally delivered within 35 days of acceptance from the sender, subject to *force majeure* and other unforeseen events. Because LBC Express charges for sea freight forwarding based on standard dimensions of the box rather than weight, Balikbayan Boxes provide a low cost option to customers making shipments of various items. They are also a means for customers to ship certain items that cannot be shipped by air, such as liquids and aerosols. Accordingly, Balikbayan Boxes are frequently used by OFWs to send large numbers or volumes of consumer products, such as clothing, home goods and personal care items, to recipients in the Philippines. Balikbayan Boxes come in a variety of dimensions and typically weigh between 30 to 80 kilograms.

Corporate Logistics

Corporate Logistics comprised 34%, 36% and 38% of the Group's service revenue from Logistics for the years ended December 31, 2016, 2017 and 2018. The Group provides services to a varied portfolio of corporate clients, which include consumer goods manufacturers, food products producers, pharmaceutical companies, educational institutions, financial services companies and others, including several well-known multinational corporations. In addition to fulfilling the express delivery needs of corporate clients through courier and air cargo forwarding services, the Group also provides the following services:

Specialized Corporate Solutions (“SCS”)

SCS refers to the end-to-end tailored logistics services provided by the Group to corporate clients with specific requirements.

As part of SCS, the Group provides transportation of mail, parcels and cargo via air, land and sea. The Group offers sea freight forwarding services domestically for both FCL and LCL shipments. LCL services are particularly attractive for small and medium-sized businesses with relatively lower volume shipping requirements. Corporate clients have the option of dropping off their shipments at LBC Express’ container freight stations located near local ports or requesting a pick-up from LBC Express. LBC Express also offers flexible payments modes, including payment at origin, payment at destination, payment on account of shipper and payment on account of consignee. Shipping times for sea freight are more protracted than for air freight, ranging from three to seven days for domestic shipments and seven to 35 days for international shipments. In recent years, the volume of sea freight forwarding services provided by LBC Express has increased due to the growth in its corporate client portfolio.

The Group also expanded SCS to include value-added services such as onsite operations, warehousing and print solutions. The palette of available onsite operations includes warehouse storage, cross-docking (the temporary storage of arriving order and subsequent breaking-down and reassembly for truck delivery), inventory management, reverse logistics, pick-up of pallets and containers, order fulfillment services at the customer’s own warehouse, specialized packaging and re-packaging (such as ice gelling for pharmaceutical products), open-checking services, cash on delivery (collection of value of item from consignee upon delivery and remittance of value to shipper) and delivery and discrepancy reporting, among others, which are in addition to its customary courier and freight forwarding services.

The Company, through its wholly-owned subsidiary LBC Express Corporate Solutions, Inc., offers Print and Mail Solutions. This involves end-to-end solutions for clients’ mailing and printing requirements, including the printing, envelope-stuffing and delivery of invoices, notices, advertisements, direct mail and other bulk mail as well as the issuance of proof-of-delivery reports. Other potential services include full color variable printing, transpromo printing (the combination of personalized materials with transactional printing to make use of transactional documents as a medium for advertisements), book printing, as well as the printing and delivery of documents, passports, visas, account statements and credit cards. Clients who make use of the Print and Mail Solutions include financial institutions, retailers, utilities companies and others.

The Group performs services for corporate clients both pursuant to long-term contracts and on a per-transaction basis. Print and Mail and SCS contracts typically have terms of one to three years. The Group extends credit facilities to most of its corporate clients, following a standard credit check procedure when first engaging a new client.

In recent years, the Group has increased its focus on the corporate logistics business and aims to continue expanding its corporate client portfolio and service offerings going forward. See *“Business – Key Strategies – Continue to Leverage the Group’s Platform and Brand to Expand into Adjacent Businesses”* on page 96 of this Prospectus.

Money Transfer Services

Money Transfer Services is the Group’s second primary business segment and comprises both domestic and international money transfer services. For the years ended December 31, 2016, 2017 and 2018, revenues from Money Transfer Services were ₱1,173.5 million, ₱1,038.9 million and ₱962.7 million, representing 13%, 10% and 8% respectively, of the Group’s overall service revenue.

Domestic

Domestic Money Transfer Services include (a) remittances; and (b) bills payment collection and corporate remittance payout services. For the years ended December 31, 2016, 2017 and 2018, service fees from domestic Money Transfer Services were ₱1,058.4 million, ₱907.1 million and ₱799.5 million, representing 90%, 87% and 83%, respectively, of the Group's total service revenues from Money Transfer Services.

Remittances

Remittances are transfers of funds between customers from one location to another. LBC Express is licensed by the BSP to serve as a remittance agent in the Philippines for both domestic remittances (wherein both the sender and the beneficiary are located within the Philippines) and international inbound remittances (wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines). Retail customers in the Philippines, particularly the unbanked population and others who are underserved by traditional banking institutions, account for the majority of the Group's domestic remittance customers. The Group offers domestic remittance services in the form of (a) branch retail remittance services; (b) pre-paid remittance cards; and (c) online and mobile remit.

- *Branch retail services* enable customers who make remittances at any LBC Express-owned branch in the Philippines to choose among the following fulfillment options for their beneficiaries:

    - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a LBC Express-owned branch; the sending party can designate any pick-up location or geographic zone within the Group's domestic network (including both LBC Express-owned branches and branches of its partner, Palawan Pawnshop);

    - *Pesopak*, a service by which remittances are delivered directly to the beneficiary's doorstep, providing an attractive option for situations in which beneficiaries cannot or do not want to visit a branch; LBC Express offers next day delivery for Pesopak in almost all areas in the Philippines; and

    - *Remit-to-account*, a service by which funds accepted from a sender at an LBC Express branch will be directly deposited to the designated local bank account of the beneficiary.

- *Prepaid remittance cards* are debit cards powered by VISA and issued by local banking institutions with whom LBC Express has agreements, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines. Through pre-paid remittance cards, senders can purchase a card on behalf of the beneficiary and reload the card instantly at any of LBC Express' branches or agent-operated locations. The beneficiary is then able to use the funds at any location where VISA cards are accepted.

- *Mobile and online remit services* function in a similar manner as pre-paid phone cards. A customer can purchase a card with a confirmation code, which can then be texted to a beneficiary or entered online at the LBC Express' website. For mobile remit, the beneficiary can then bring the code to the branch location to encash the funds. For online remit, the sender can choose any of the fulfillment options available through branch services (i.e. instant branch pick-up, Pesopak and remit-to-account) for the beneficiary. Mobile and online remit codes are sold in nearly 5,000 locations throughout the Philippines, including LBC Express' branches, supermarkets and other retailers.

LBC Express charges a service fee for processing domestic remittances according to a progressive schedule based on the value of the remittance. Fees may also vary depending on the chosen method of fulfillment. For example, remit-to-account and Pesopak deliveries may incur additional service charges. The significant majority of remittances made by customers of the LBC Express are for sums equivalent to approximately ₱13,000 or less.

Bills Payment Collection and Corporate Remittance Payouts

The Group serves as a third party bills payment collection sub-agent for various creditors in the Philippines, including major utilities companies, insurance companies, certain Government agencies, telecom providers and publishers, among others, through its contract with Bayad Center. Through the Group's bills payment collection service, customers of these merchants and other creditors can settle their accounts by submitting their payment along with the billing notice issued by the merchant to any LBC Express-owned branch in the Philippines. The Group processes bills payment collections through the same integrated POS system used by the Group for acceptance of parcels, cargo and remittances.

The Group also provides payout services for various corporations and organizations. Likewise, the Group provides payroll services for certain companies, whereby employees can collect salary checks at a branch office. As part of its reciprocal agreement with Palawan Pawnshop, LBC Express also provides encashment services for beneficiaries of senders who make a remittance at a Palawan Pawnshop branch.

International

The Group provides fulfillment services for international inbound remittances from over 30 countries and territories overseas to the Philippines through its overseas branches and affiliates and its network of international remittance agents. For more information on the Group's international remittance agents, see "*Business – Operations – Money Transfer Services – Remittances – International Remittance Agents"* on page 119 of this Prospectus. For the years ended December 31, 2016, 2017 and 2018, service fees from international inbound remittances were ₱115.1 million, ₱131.8 million and ₱163.2 million, accounting for 10%, 13% and 17%, respectively, of the Group's total service revenues from Money Transfer Services.

As with domestic remittances, beneficiaries of international inbound remittances can avail of instant branch pick-up services at any location within the Group's domestic network as soon as the transaction is processed into the Group's POS system from its overseas branch or agent-operated location. Beneficiaries of inbound international remittances can also arrange for the money to be delivered to their door, have the sums credited to a pre-paid remittance card or have proceeds deposited directly into a bank account. The Group charges a service fee for processing international remittances according to a progressive schedule based on value of the remittance and pick-up destination of the remittance. Although mobile remit confirmation codes are not yet sold internationally, the Group does enable online remit services from the United States, in which the sender can remit funds to a Philippine beneficiary through the Group's website using a debit card. The significant majority of remittances made by customers of the Group are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

As of the date of this Prospectus, the Group does not process outbound remittances from the Philippines.

The following table presents the total fee income for domestic and international inbound remittances processed by the Group for the periods indicated, broken down by country or region where the remittance originates.

For the years ended December 31,

	2016	2017	2018
Amounts in ₱ millions			
Country			
Philippines[(1)]	1,058.45	907.12	799.49
North America	42.16	41.77	53.52
Asia Pacific Region[(2)] (not including Australia and Philippines)......	31.82	49.36	63.72
Australia................................	14.47	14.88	25.87
Middle East[(3)].........................	6.59	9.92	8.48
European Union[(4)]..................	0.38	0.09	0.08
Others	19.66	15.801	11.55
Total.....................................	1,173.53	1,038.95	962.71

Notes:

(1) Figure represents domestic remittances (i.e. remittances wherein both the sender and the beneficiary are located within the Philippines).

(2) Includes Brunei, Guam, the Hong Kong Special Administrative Region, Japan, Malaysia, the Macau Special Administrative Region, the Republic of China (Taiwan) and Saipan.

(3) Includes Bahrain, Israel, Qatar and the United Arab Emirates.

(4) Includes United Kingdom.

OPERATIONS

Logistics

Logistics entails the management of the flow of goods from a point of origin to a specified destination, including any ancillary services that may be required to facilitate the process, such as storage and packaging. The Group's courier and freight forwarding services utilize transport by air, sea and land and a set of strategically located warehouses, distribution centers and delivery hubs to provide end-to-end delivery services for its retail and corporate clients.

Air Freight Forwarding

Domestic

For the years ended December 31, 2016, 2017 and 2018, total throughput of air freight forwarded by the Group amounted to approximately 21.89 million tons, 27.38 million tons and 33.95 million tons, respectively. The Group's end-to-end domestic air freight forwarding services involve the following steps:

1. Acceptance by pick up or drop off at one of the Company's 1,397 customer contact points in the Philippines

- All parcels and cargo must be accompanies by a waybill from the customer providing the recipient's details.
- Upon receipt of the parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package which begins the tracking process.
- The package is rescanned at every subsequent touch point through the transport until it reaching the end point.

2. All packages are delivered by the Company's vehicle fleet to a regional distribution center at the close of each business day (7:00 p.m).

- Upon receipt, the exchange team scans in all packages and prints a manifest listing all of the barcodes.
- The manifest is used to check the number of shipments scanned in against the number of shipments that are later scanned out.

3. The exchange team engages in primary sorting at the distribution centers and labels parcels and cargo bound for different destinations.

- Throughout the night, the exchange team engages in primary sorting at the distribution centers and labels the parcel and cargo bound for different destinations.

4. By morning, all packages bound for other provinces and cities are loaded onto the first and second flights of the day operated by Cebu Pacific Air and Philippines Airlines

5. When planes arrive at the destination airport, a team withdraws shipments and again scans the barcodes and sort the items, segregating parcels and cargo destined for different zones.

6. Packages are then loaded onto the Company's delivery vehicles, which either transports the items to a delivery hub for secondary sorting, or directly to the final destination if already within the zone of delivery.

International

In the case of shipments originating from the Philippines and sent overseas, the overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo at the international destination to secondary sorting and delivery of the item to its final destination by ground.

International shipments utilize the same, integrated barcoding and scanning system as domestic shipments, enabling a seamless exchange between the Group's domestic team and its overseas teams. The Group's end-to-end international air freight forwarding services involve the following steps:

1. Acceptance by pick up or drop off at an international LBC Express-owned, affiliate-owned branch, or agent-operated location.

- All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's details.
- Upon receipt of the parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package which begins the tracking process.
- The package is rescanned at every subsequent touch point through the transport until it reaches the end point.

2. All packages are delivered by the Group's vehicle fleet to a regional distribution center at the close of each business day (7:00 p.m).

- Upon receipt, the exchange team scans in all packages and prints a manifest listing all of the barcodes.
- The manifest is used to check the number of shipments scanned in against the number of shipments that are later scanned out.

3. The exchange team engages in primary sorting at the distribution centers and labels parcels and cargo bound for different destinations.

- Throughout the night, the exchange team engages in primary sorting at the distribution centers and labels the parcel and cargo bound for different destinations.

4. The cargo is loaded onto an international aircraft.

5. When planes arrive at the destination airport, Philippine associates at the Central Exchange in Manila withdraw the cargo.

6. Packages are then loaded onto LBC Express' vehicle fleet, which either transports the items to a delivery hub for secondary sorting, or directly to the final destination if already within the zone of delivery.

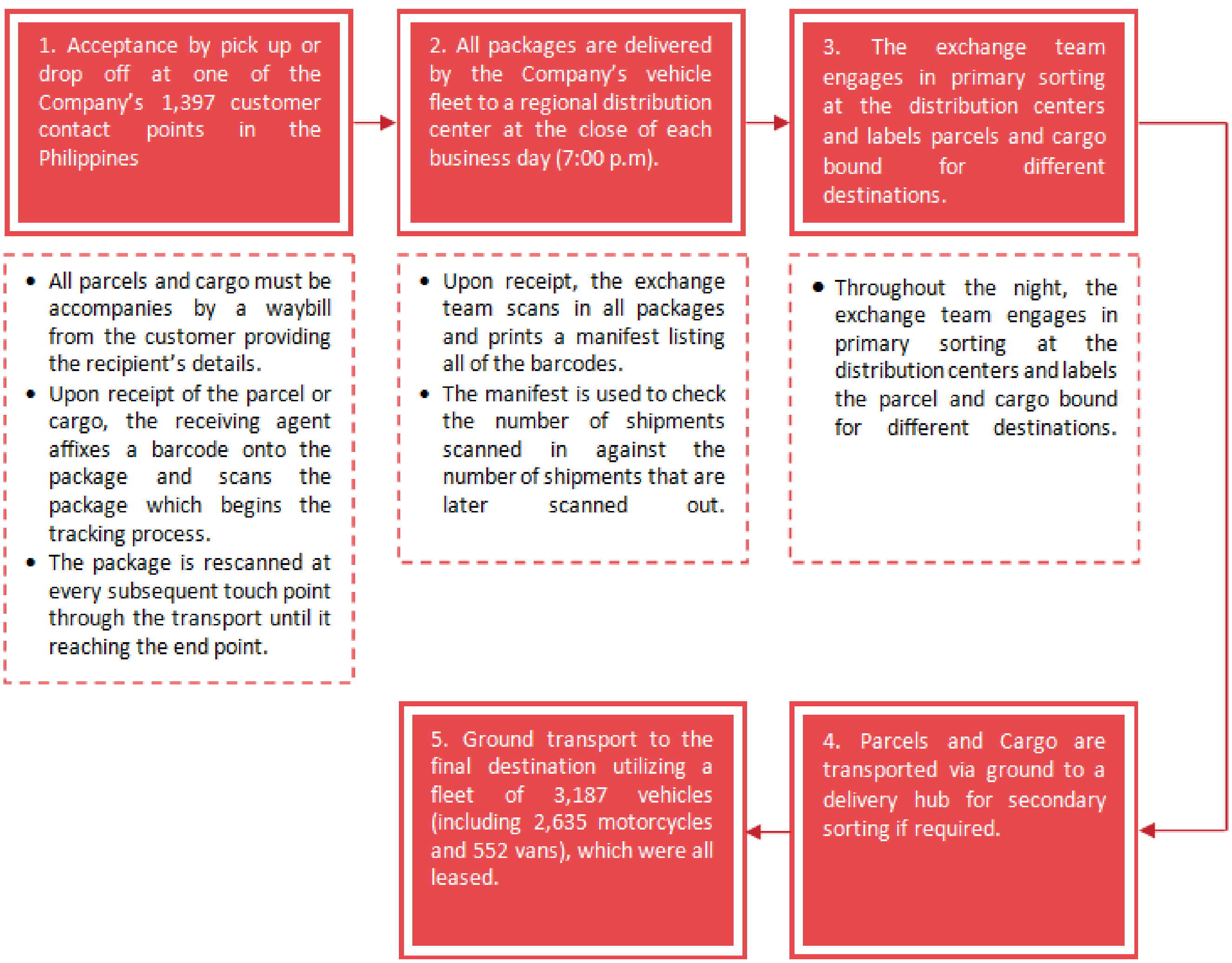
7. The packages are forwarded further by air to regional destinations, if necessary. The packages are also transported via LBC Express-owned and third party trucks for delivery to the final destinations.

Ground Delivery Fleet

Ground transport forms a key component of nearly all forms of delivery and forwarding services offered by the Group. Motorcycles and trucks are used for door-to-door pickup and delivery of parcels, cargo and money remittances, as well as ground transport of items destined for onward forwarding by air or sea. The vehicle fleet is also an integral part of the Group's contingency planning in the event that air and/or sea transport become unavailable. The Group also from time to time engages third party trucking and transportation companies. See *"Business – Quality Assurance and Internal Controls– Business Continuity"* on page 131 of this Prospectus.

As of December 31, 2018, LBC Express had a fleet of 3,187 vehicles (including 2,635 motorcycles and 552 vans), which were all leased. LBC Express' drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a lease-to-own basis pursuant to finance leases with a typical term of three years to ownership. LBC Express' vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every five to seven years. LBC Express began refleeting of most of its delivery vehicles in 2014. Comprehensive insurance is maintained for all of the vehicles.

For items that are transported entirely by ground, parcels and packages undergo the following process:



Sea Cargo Forwarding

For the years ended December 31, 2016, 2017 and 2018, total throughput of sea cargo forwarded by the Group for both retail and corporate shipments amounted to approximately 8,138 TEUs, 8,449 TEUs and 8,719 TEU, respectively. Of these, approximately 31%, 36% and 40% respectively, comprised domestic shipments, with the balance comprising international shipments. As of the date of this Prospectus, the Group's sea cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 22 countries and territories outside the Philippines.

The Group does not own ships and contracts with third party shipping carriers for these services. Domestic sea transport is provided by Oceanic Container Lines, Inc., 2Go Freight, Lorenzo Shipping Lines, Gothong Southern and Asian Marine Transport Corporation, among others, while international sea transport is provided through Orient Freight International (an international freight forwarding agency). LBC Express also entered into a partnership agreement with OHL effective August 1, 2013 to engage in international freight forwarding as an NVOCC. This allows LBC Express to contract directly with international shipping carriers rather than rely on another international freight forwarder. The Company intends to continue using Orient Freight International's services but may also seek to contract directly with other international shippers who provide attractive terms and rates.

The Group's sea cargo forwarding services are separated into retail operations and corporate operations.

Retail

Retail sea cargo comprises Balikbayan Boxes, which are primarily international inbound shipments (see *"Business – Services – Logistics – Retail Logistics"* on page 107 of this Prospectus) and intra-Philippine shipments. The basic forwarding process for Balikbayan Boxes is as follows:

1. Acceptance of Balikbayan Boxes is handled by LBC Express (for domestic shipments) or its overseas branch or affiliate (for inbound international shipments).

- Upon acceptance, all cargo is inputted to LBC Express' INCA acceptance system by a delivery team.
- The delivery team produces a delivery dispatch report and cross checks each shipment when units are consigned to the international freight forwarder.

2. Balikbayan Boxes are sorted and placed into containers at the local warehouse or distribution center of LBC Express' branch or affiliate/agent.

- Once a container is full, LBC Express can arrange for pick-up from the international freight forwarder or local shipping partner, whichever is applicable. Because the throughput of goods shipped by the Group is substantial, containers are usually filled within one to two days.

3. LBC's international freight forwarding (for inbound international shipments) or LBC Express' local shipping partners (in the case of domestic shipments) will collect the cargo from the warehouse or distribution center and load the items onto a ship.

- International inbound Balikbayan Boxes from other Asian countries are in transit for three to four days, while those from European and North American countries are in transit for 30–35 days prior to arriving in Manila.

4. All such Balikbayan Boxes are received by the international freight forwarder at the Port of Manila and consigned to LBC Express at the Vitas Harbor Center Warehouse.

- Intra-Philippines shipments, which generally take between two and five days to arrive at its destination, are received at regional warehouses and distribution centers. For international inbound shipments, LBC Express' customs brokers facilitate the procedures necessary to be undertaken with the Bureau of Customs, while its international freight forwarder arranges for the customs brokerage in international jurisdictions.

5a. At Vitas Harbor Center Warehouse or regional warehouses and distribution centers, Balikbayan Boxes are again scanned, inspected for any damage, and sorted for further forwarding to their final destination by ground transport or re-directed to a domestic shipping company for further sea transport, if necessary.

5b. International outbound Balikbayan Boxes are received by LBC Express' overseas branches and affiliates and sorted for final delivery. Balikbayan Boxes are randomly scanned in the United States and in the Philippines via X-ray machines to prevent entry of illegal goods and money laundering.

Corporate

For corporate sea cargo shipments, the Group provides forwarding services for both FCL and LCL shipments. The Group's corporate sea cargo forwarding services include, among others, pier-to-pier service (in which a customer's shipment is delivered to a receiving office at the destination pier for pickup by the receiving party) and pier-to-door service (in which the customer's shipment is delivered to the address of the receiving party). Corporate clients can either drop off their cargo at the Group's container freight stations or arrange for pick-up by the Group's delivery fleet.

For corporate customers who wish to make regular use of the Group's services, the Group assigns an account executive to be in charge of obtaining details of the shipments and advising the customer on the readiness process and approval of credit terms. In addition, after shipments are completed, an account coordinator reports a summary of the transactions and the billing and collection department bills and collects payment for the shipments.

All corporate shipments are aggregated and sorted at the Group's container freight stations located near the local ports. Container freight stations are separate from the receiving warehouse for the retail Balikbayan Boxes.

Specialized Corporate Solutions

Under SCS, the Group provides transportation of mail, parcels and cargo via air, land and sea for its corporate clients, as well as value-added services such as onsite operations, warehousing and print solutions. The transportation service operates in substantially the same manner as the general Logistics operations described above.

Operational Performance Indicators

The following table presents key operational highlights of the Group's Logistics business for the periods indicated:

	For the years ended December 31,		
Logistics	**2016**	**2017**	**2018**
On time delivery rate [1]	90.0	89.4	89.4
Acceptance/pickup for the year for the Group			
Air Cargo (₱)	4,217,614,645	5,077,999,645	6,522,637,350
Sea Cargo (₱)........................	927,751,210	1,024,820,287	1,422,121,427
Courier (₱)	1,787,039,428	1,952,377,599	2,328,208,343
On line logistics (₱)			628,256,475
Other revenue (₱) [2]	320,721,404	492,497,509	446,599,396
Acceptance/pickup for the year for affiliates[3]			
Air Cargo (₱)	18,120,057	22,738,665	16,743,600
Sea Cargo (₱)........................	209,748,574	194,489,294	185,057,272
Courier (₱)	2,429,950	2,433,750	1,846,150
Other corporate accounts (₱)	–	2,730,865	
Number of couriers [4][5]	1,776	2,189	4,234
Productivity per courier [5][6]	71	70	74

Sorting efficiency (%) [7]	99.80%	99.83%	99.69%
Number of corporate customers[8]	1,723	1,928	2,729

Notes:

(1) With exemptions of extreme situations (i.e., house closed, force majeure, etc.); also includes Pesopak deliveries (i.e., remittance deliveries made directly to beneficiary's doorstep).

(2) Includes Print and Mail and Specialized Corporate Solutions services

(3) Includes all affiliates of the Company. The Company only charges a service fulfilment fee for these transactions.

(4) Monthly average

(5) For Philippines only

(6) Average number of parcels or cargo delivered by the courier measured on a daily basis; computed based on six work days per week

(7) Percentage of correctly-routed items over total items accepted

(8) Numbers are as of December 31 of the respective years

Money Transfer Services

Remittances

Infrastructure

LBC Express has partnered with Interblocks, a leading provider and innovator of integrated, electronic payment processing solutions that empower Banks & Financial Service Providers across global markets. LBC Express will utilize Interblock's iSuite platform to drive a broad range of solutions in Service Delivery, Payments, Cards, Virtual Banking and Mobile Commerce, Interblocks combines strong financial transaction integrity and tight data security into all of its solutions, delivering a totally integrated, consistent and rich experience across all customer touch points.

LBC Express leverages on the branch network and vehicle fleet used for its Logistics services as a platform for its remittance services. The extensive geographic reach of its branch network, its large fleet of delivery vehicles, the existing workforce of trained employees and the availability of cash funds at each of the LBC Express branches from its Logistics operations enable LBC Express to offer remittance services at very low additional operating cost. As the remittance business has grown into a significant portion of its business, LBC Express has increased the number of customer contact points for its remittance services by entering into fulfillment partnership agreements with agents and affiliates domestically and internationally.

The Global Remittance Team is in charge of operating the Group's remittance business. With respect to domestic remittances, its primary duties include, among others, reviewing daily acceptance values; forecasting the daily funding needs of each branch to meet fulfillment obligations; ensuring the proper safeguarding of cash at branches; overseeing the transport and deposit of cash into the LBC Express' regional bank accounts (from which local managers of the branch offices can withdraw the funds); establishing and training branch employees in cash acceptance, anti-money laundering, customer identification and other policies; and reporting covered transactions and suspicious transactions to the BSP. With respect to international remittances, its primary duties include monitoring balances of revolving accounts and settlement of payments. The Global Remittance Team uses data collected from the LBC Express' front-end POS software to analyze end-of-day acceptance information at all of the branch locations. This enables the Global Remittance Team to estimate the funding requirements for each branch on a daily basis. LBC Express is in the process of transitioning its POS system into the Interblocks system. Interblocks system is expected to be fully implemented in fiscal year 2018. See *"Business – Information Technology"* on page 122 of this Prospectus.

Domestic Partners

To expand its domestic network for remittance services, LBC Express and Eight Under Par, Inc. (a Philippine corporation doing business under the trade name "Palawan Pawnshop") entered into a non-exclusive agreement in June 2012 to serve as reciprocal fulfillment agents within the Philippines. Through the agreement, all of Palawan Pawnshop's 2,698 branches in the Philippines (as of December 31, 2018) are available to provide instant branch pick-up services for beneficiaries of LBC Express' remittance customers, and all of the LBC Express' branches in the Philippines in turn provide the same service for Palawan Pawnshop's customers. Both partners collect a reciprocal percentage of the service fee for performing services on behalf the other.

LBC Express believes that its strategic partnership with Palawan Pawnshop has enabled it to greatly expand its geographical reach in the Philippines, particularly in areas where it has fewer owned branches, at minimal expense. As of the date of this Prospectus, Palawan Pawnshop is LBC Express' only domestic fulfillment agent, although LBC Express evaluates opportunities for other strategic partnerships as they arise from time to time.

LBC Express also has relationships with local financial institutions, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines, that issue pre-paid remittance debit cards offered to LBC Express' customers. See *"Business – Services – Money Transfer Services – Domestic Remittances"* on page 109 of this Prospectus. With these cards, customers can load the cards at any LBC branch and beneficiaries can withdraw cash from the remittance cards at any of the partner banks' ATMs and branch offices. These cards, which are powered by VISA, are also available for use at any location where VISA cards are accepted.

The basic process for domestic remittances is as follows:

- Branch Retail services enable customers who make remittances at any LBC Express branch in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility that would process the request. Encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.

    - *Pesopak*, a service by which remittances are delivered directly to the beneficiary's doorstep.
    - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at an LBC Express-owned branch; the sending party can designate any pick-up location or geographic zone within LBC Express' domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);
    - *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

- Prepaid remittance cards are debit cards powered by VISA and issued by local banking institutions with whom LBC Express has agreements, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines. Through pre-paid remittance cards, senders can purchase a card on behalf of the beneficiary and reload the card instantly at any of LBC Express' branches or agent-operated locations. The beneficiary is then able to use the funds at any location where VISA cards are accepted.

International Remittance Agents

To expand its international reach, LBC Express has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far

East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, LBC Express provided fulfillment services for inbound remittances originating from over 14 other countries and territories (as of December 31, 2018), although LBC Express transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that LBC Express enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of LBC Express and still carrying on business under their own corporate and trade names. LBC Express receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. LBC Express requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that LBC Express bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

- Remittances from origins are accepted via point-of-sale system. Encashment branch will check the possible match using the Auto-Scrubbing Process (Sender and Beneficiary names are checked against the International Sanctions List) and ensure the validity of transaction. Data processing will be performed as well as fund allocation. Payout, delivery, credit to bank et.al are the methods in fulfillment of the transactions.

- International BX Product. Associate from international branches will enter the transaction details and submit to partner bank (Bank of Commerce) for validation. Bank of Commerce will send reference number and institution confirmation number to the branch which accepted the transactions and the latter will collect payment and print the receipt.

Bills Payment Collection and Corporate Remittance Payouts

The majority of LBC Express' bills payment collection services are governed by an agreement with Bayad Center dated January 21, 2013, under which LBC Express subcontracts with Bayad Center to perform third-party bills collection services for a group of vendors, including utility companies, telecommunications companies, government agencies and others, with whom Bayad Center has contracted. The term of the agreement is three years with a renewal option thereafter by mutual consent of the parties. LBC Express collects a service fee from Bayad Center each month based on the total number of valid transactions it has processed that month. At the close of each business day, a payment transaction report is generated for each vendor and transmitted to Bayad Center. LBC Express must then deposit the day's collections into a designated bank account of Bayad Center by the following day.

LBC Express also contracts directly private insurance companies and certain employers, to serve as a corporate payout agent. See *"Business – Services – Money Transfer Services – Domestic Remittances"* on page 109 of this Prospectus.

The basic process for bills payment collection and corporate remittance payouts is as follows:

- **Bills payment.** LBC Express serves as a third party bills payment collection sub-agent for various creditors in the Philippines, including major utilities companies, insurance companies, certain Government agencies, telecom providers and publishers, among others, through its contract with Bayad Center.

- **Via POS.** The customer will fill out details necessary to the transaction, in which the branch associate will enter to the POS. Cash transaction amount and pass-on fee is collected from the customer, if applicable. The branch does the data sending (from local server to production server). LBC Backroom will perform all necessary validation procedures before closing of transaction

- **Via PCS/Bayad Center.** The customer will fill out details necessary to the transaction, in which the branch associate will enter to the PCS. Cash transaction amount and pass-on fee is collected from the customer, if applicable. The transaction will be uploaded to Bayad Center per PC/Terminal followed by data import and sending. Bayad Center, in return, sends report and confirmation of the validity of transactions. LBC Backroom will perform all necessary validation procedures before closing of transaction.

- **Corporate transactions.** LBC Express also provides payout services for various corporations and organizations. The processor will acknowledge corporate transactions via email and validate payments by corporate client. LBC backroom will confirm fund allocation, assign tracking numbers and perform recording to complete the transaction processing.

Operational Performance Indicators

The following table presents key operational highlights of the Group's Money Transfer Services business for the periods indicated:

	For the years ended December 31		
Remittances	**2016**	**2017**	**2018**
Domestic remittances			
Number of transactions	13,971,353	12,982,081	10,684,373
Fee income (₱)	984,754,927	829,893,761	720,696,097
Service locations[(1)]	3,849	3,921	4,101
International inbound remittances			
Number of transactions	1,709,000	1,714,258	1,539,608
Fee income (₱)	115,086,945	131,824,186	163,222,524
Bills Payment Collection and Corporate Remittance Payouts			
Number of transactions	15,288,730	15,775,923	15,444,990
Fee income (₱)	73,694,003	77,228,943	78,788,930
Service locations	1,249	1,321	1,397

Note:
(1) Includes LBC Express owned branches and agent-operated locations

MARKETING AND SALES

The Group believes that strategic marketing and targeted sales are crucial to maintaining its competitive advantage over competitors. In this regard, LBC Express regularly advertises on television, radio and billboards, as well as in print and on the Internet. LBC Express also brands its ground fleet with the “LBC” logo. In addition, it has dedicated teams to promote the value of its brand among general consumers as well as to manage long-term corporate client relationships. It also engages in several community outreach initiatives in line with its commitment to corporate social responsibility.

Brand Equity

The Group considers the “LBC” brand, which has been cultivated over LBC Express’ over 60-year operating history, to be an integral component of its operational success. The Group believes that the brand, the distinctive red and white “LBC” logo and its key marketing slogans (formerly, “Hari ng Padala,” and currently, “We like to move it”) have become associated with its reputation for being a convenient, affordable and reliable provider of its services. As part of its marketing strategy, LBC Express outfits its delivery fleet, branch offices, advertisements and other marketing materials with the “LBC” logo and believes that its brand equity is one asset that puts it ahead of its competitors in gaining market share in a fierce competitive environment.

LBC Express, together with LBC Development Corporation, undertook has recently undertaken a re-launch of the “LBC” brand, which began in November 2013. The re-launch involves an update of the “LBC” logo, a new Company slogan (“We like to move it”), a revamp of LBC Express’ website and re-outfitting of its vehicle fleet and branch offices to reflect the new design. The re-launch of the brand and other measures are intended to promote a positive cultural shift to its business and employees, manifesting LBC Express’ ethos of constant evolution and adaptation to the times. External consultants were engaged and market research was conducted in planning the re-launch.

Corporate Salesforce

The Group’s corporate sales are conducted through LBC Express’ dedicated sales and marketing teams which, as of December 31, 2018, comprised 15 field account managers in charge of client relationship management. To better manage its corporate accounts, LBC Express has also invested in sales order management software designed by SAP that helps LBC Express maintain records on the processing of sales orders, accounts, inquiries, quotations, contracts, billing, returns processing, consignment, sales planning, sales reporting and customer analytics. In addition to automating several aspects of sales record keeping, this program is also expected to help the salesforce gain marketing and business intelligence as well as improve customer retention.

Advertising

LBC Express regularly advertises over media channels such as TV, radio and print. LBC Express also sponsors community events such as the Ronda Pilipinas, the largest Philippine cycling race, and sporting events of the Filipino world champion boxer Manny Pacquiao.

INFORMATION TECHNOLOGY

Operational

The Group relies on its IT networks and systems for both its Logistics and Money Transfer Services businesses and believes that maintaining advanced technological systems is integral to remaining competitive in its industry. The Group embarked on a massive enterprise-wide digital transformation program with RAMCO

Logistics and Interblocks systems. RAMCO Logistics covers the need of all the business operations from transportation to warehousing to order management for parcel/courier service providers, forwarders, 3PL who are seeking high performance logistics software. RAMCO Logistics solution allows the Group to standardize its process for the logistics segment of the business into one technology and application platform thus eliminating redundancy in operations and achieving absolute data integrity and scope for planning and optimization. RAMCO modules for Human Resources Systems were also implemented in second quarter of 2017.

For the money segment of the Group, it has partnered with Interblocks, a leading provider and innovator of integrated, electronic payment processing solutions that empower Banks & Financial Service Providers across global markets. The Group will utilize Interblocks iSuite platform to drive a broad range of solutions in Service Delivery, Payments, Cards, Virtual Banking and Mobile Commerce, Interblocks combines strong financial transaction integrity and tight data security into all of its solutions, delivering a totally integrated, consistent and rich experience across all customer touch points.

In addition, the Group has outfitted each of its couriers with handheld scanners, which will increase efficiency and minimize human error in documenting daily pick-ups and deliveries. In FY 2019, all old handhelds were replaced with latest model together with SOTI Mobility Management that will help the business eliminate handheld device downtime. The Group has also implemented a put-to-light sorting technology for its non-bulk mail, which will help automate some aspects of the parcel sorting process.

The Group has also upgraded its current network infrastructure to allow for a more secure and reliable environment. It upgraded its connectivity bandwidth and implemented a Software Defined Wide Area Network (SD WAN) to provide added network security and reliability. This has enabled the Group to improve its network availability significantly.

Business Management

The Group uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Group has utilized SAP's Financial Accounting and Controlling (SAP FICO), Sales and Distribution (SAP SD) and Materials Management (SAP MM) modules. The Group has migrated SAP System Landscape to SAP HANA Enterprise Cloud which enables scalability with low risk deployments and leverage on SAP HEC's Fully Managed Services which covers Infrastructure and Database related activities. Thus, free-up IT resources and saves on cost for the company. SAP Financial modules were also rolled-out to Middle East countries like UAE, KSA and Bahrain for ease of financial reporting and consolidation and in compliance with the VAT Implementation in the Gulf Cooperation Council (GCC) Region.

Online and Mobile Platform

To enhance the customer experience, the Group has developed a digital platform that enables online real-time transaction processing and customer service through its website (*www.lbcexpress.com*). Currently, the Group's website contains several interactive features for its customers, including package tracking, rate calculators and scheduling of pick-ups for parcels and cargo, as well as real-time customer service support through the "Live Talk" capability. The website is mobile responsive allowing the same functionality from any mobile device.

INTELLECTUAL PROPERTY

The Group uses a variety of registered names and marks, including the names “LBC Express, Inc.,” “LBC Express,” “LBC”, “Hari Ng Padala” (Tagalog for “King of Forwarding Services”) and “WWW.LBCEXPRESS.COM” as well as the traditional and the re-designed “LBC” corporate logos (including the new slogan “We like to move it”), the “Team LBC Hari Ng Padala” logo and “LBC Remit Express” logo in connection with its business. Except for the “LBC Remit Express” design and logo registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and Pesopak logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by LBC Express, these marks (collectively, the “LBC Marks”) are owned and licensed to LBC Express by LBC Development Corporation, LBC Express’ parent company, pursuant to a trademark licensing agreement entered into on November 9, 2007. Under the terms of this agreement, LBC Express has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of LBC Express’ annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to LBC Express’ business operations). Pursuant to an addendum signed on October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013. Under the agreement, LBC Express also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which LBC Express holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of LBC Express are granted very limited use of the “LBC” brand and logos pursuant to the individual agency agreements entered into between them and LBC Express.

In compliance with the Company’s obligations relating to the issuance of the LBC Convertible Instrument, on August 4, 2017, LBC Express entered into an amended and restated trademark licensing agreement with LBC Development Corporation. This amended and restated agreement has substantially the same terms and conditions as the original agreement, except that, under this amendment and restated agreement, the parties agreed to discontinue royalty payments for the use of the LBC Marks in recognition of LBC Express’ contribution to the value and goodwill of the LBC Marks effective September 4, 2017.

The amended and restated trademark licensing agreement authorizes LBC Express to use, exercise and reproduce the LBC Marks in connection with the business of LBC Express inside and outside the Philippines, for a term of 25 years or until August 4, 2042.

The LBC Marks have also been registered in each major jurisdiction in the Group’s international network. LBC Development Corporation has registered the LBC Marks in the International Register pursuant to the Protocol Relating to the Madrid Agreement (the “Protocol”), which grants the LBC Marks intellectual property protection in the jurisdictions of designated Contracting Parties (as such term is defined in the Protocol). The registration is currently active and is subject to renewal on July 19, 2023. LBC Development Corporation is also currently in the process of registering the LBC Marks in jurisdictions within the Group’s international network not covered by the Protocol.

PERMITS AND LICENSES

All governmental approvals, permits and licenses issued by the appropriate government agencies or authorities, which are material and necessary to conduct the Group’s business and operations, have been obtained.

Set out below are all the material permits and licenses of LBC Express necessary to operate its business as currently conducted, the failure to possess any of which would have a material adverse effect on the business and operations of LBC Express.

A. Logistics

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certification (Registration)	Bureau of Customs	Valid	11 July 2017	Valid until 30 June 2019
Permit to Operate (LBC Express, Inc.) Permit No. 007481	City of Pasay (Office of the Mayor - BPLO)	Valid	22 January 2019	31 December 2019
Permit to Operate (LBC Express Holdings) Business Account No. 16-046748	City of Pasay (Office of the Mayor – BPLO)	Valid	23 January 2019	31 December 2019
LBC Express, Inc. - Certificate of Authority (to engage in the business of International & Domestic Airfreight Forwarding) CAB-R No. 2K16RS026M04	Civil Aeronautics Board	Valid	April 2016	Valid from 12 October 2015 until 11 October 2020
LBC Express, Inc. - Government Authority No. 1620-002 (to operate private express and/or messengerial delivery service nationwide)	Information and Communications Technology Office	Valid	Undated	Valid from 01 January 2016 until 21 December 2020
LBC Express, Inc. - Certificate of Accreditation (as Non-vessel Operating Common Carrier, International Freight Forwarder, and Domestic Freight Forwarder)	Department of Trade and Industry	Valid	07 March 2018	Valid from 21 March 2018 to 20 March 2020
LBC Express Holdings, Inc. - Authority to Print Receipts	Bureau of Internal Revenue	Valid	20 August 2017	Valid until 20 August 2022
LBC Express, Inc. – Authority to Print Receipts	Bureau of Internal Revenue	Valid	05 July 2016	Valid until 28 June 2021
LBC Express, Inc. (General Aviation, Domestic Road, Pasay City) – Certificate of	Bureau of Internal Revenue	Valid	17 April 1985	N/A

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Registration				
LBC Express, Inc. (JP Rizal, Makati City) – Certificate of Registration	Bureau of Internal Revenue	Valid	25 November 2011	N/A
LBC Express, Inc. – Establishment Commercial Registration Certificate	Saudi Arabia	Valid	20 September 2011	N/A

B. Money Transfer Services

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
LBC Express, Inc. - Certificate of Registration (to operate as a Remittance and Transfer Company with a type "A" Remittance Agent registration) MSB Registration No. 60-00299-0-00000	Bangko Sentral ng Pilipinas	Valid	30 January 2018	N/A

The law firm Docena Jularbal-Docena rendered a legal opinion dated June 5, 2018 confirming that the permits identified in the said legal opinion are valid and subsisting as of the date of the said opinion.

MAJOR SERVICE CONTRACTS

Agreements with Air Carriers

LBC Express relies on major local airlines such as Philippine Airlines, Inc. ("PAL") and Cebu Air, Inc., ("Cebu Pacific") to conduct its domestic air cargo shipping business. LBC Express has an existing service agreement with Cebu Pacific (the "Cebu Pacific Service Agreement") for the loading of all its domestic cargo on Cebu Pacific's inbound and outbound flights from Manila. Under the Cebu Pacific Service Agreement, Cebu Pacific shall conduct the necessary cargo acceptance procedure, including security screening to be conducted at LBC Express' warehouse located at LBC Express' hangar, issuance of airway bills, towing and loading of cargo onto the Cebu Pacific planes. LBC Express shall provide the x-ray machines and security personnel to be used by Cebu Pacific in the conduct of its cargo acceptance procedure. The Cebu Pacific Service Agreement was renewed by the parties in January 2016 and shall have a renewed term for another three (3) years from 1 January 2016 to 31 December 2018. The parties are currently in negotiations for another extension of this agreement.

LBC Express also has a Domestic Cargo Sales Agency Agreement with Philippine Airlines (the "PAL Agreement") covering the appointment of LBC Express as the domestic cargo sales agent of Philippine Airlines for the sale of its cargo air transportation services within the Philippines. LBC Express, as agent, shall perform the following services for Philippine Airlines: sale of domestic air cargo transportation services, handling of reservations for domestic air cargo transportation, arrangements for the delivery of cargo at the receiving points designated by Philippine Airlines, inspection of cargo, pick-up and delivery of shipment, as well as marketing of the services of Philippine Airlines. LBC Express shall be paid a commission which shall be a percentage of the cargo sales of PAL.

Agreements with IT Providers

A License Agreement was entered into by LBC Express, as licensee, and Ramco Systems, as licensor, on October 15, 2016, granting LBC Express a perpetual, non-exclusive, non-transferable, non-assignable license, without permission to sub-license, to use the software, HCM Magna 1.1.4 (the "Software"), solely for LBC Express' internal and lawful business purposes. The license fees due to Ramco Systems, in consideration for the grant of the license amounts to US$401,400.00, payable in sixty (60) equal monthly installments beginning on March 1, 2017. All intellectual property rights in and to the Software remain with Ramco Systems.

Ramco Systems is the sole provider of LBC Express' software for its logistics operations.

Pursuant to the aforementioned License Agreement, LBC Express entered into a Product Support Services Agreement with Ramco Systems for the use of the Software. The term of the Product Support Services Agreement shall be for sixty (60) months from October 15, 2016. The Product Support Services Agreement shall automatically terminate once the License Agreement is terminated for whatever reason. The total contract price is US$231,600.00, payable in advance in sixty (60) equal instalments, starting on March 1, 2017.

LBC Express entered into a SAP Basis and Hana Support Services Agreement with Appcentric Solutions, Inc. ("Appcentric") on September 25, 2017, for the provision by Appcentric of SAP Hana Basis support services for the total contract price of ₱21,600,000.00, payable within five (5) years. Appcentric shall provide the necessary technical resources required to support SAP basis activities and the SAP Hana system, and will utilize native servers, storage, network and appliance analytics, monitoring, utilization and reporting tools. On the same date, LBC Express also entered into a SAP Hana Enterprise Cloud Migration Services Agreement with Appcentric. Under the agreement, Appcentric shall be responsible for migrating the existing on-premise SAP systems to the SAP Hana Enterprise Cloud. Appcentric shall define a migration roadmap to the SAP Hana Enterprise Cloud, validate and qualify SAP systems for migration to the SAP Hana Enterprise Cloud, define requirements for SAP on the new SAP Hana Enterprise Cloud environment and create a migration plan and strategy. The total project duration is three and a half months, consisting of four (4) phases: 1) Project Preparation; 2) Migration Blueprint; 3) Realization; 4) Go Live. The total contract price is ₱4,820,000.00 payable in equal installments within twelve (12) months.

The Company also entered into an agreement with SAP Philippines, Inc. ("SAP") on June 30, 2017, for the provision of SAP Hana Enterprise Cloud services by SAP. The cloud services include the Hana Enterprise Cloud for Production with Subscription software, disaster recovery and Enhanced Managed Services. The initial subscription terms shall be for a total of sixty (60) months commencing on August 1, 2017 until July 31. 2022. The total contract price is ₱145,000,000.00.

CUSTOMERS

The Group is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Group. The Group has no single customer contributing more than 20% of the Group's total revenues in the last three years of its operation.

STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE

Cash on Delivery / Cash on Pick-Up

More and more Filipinos are doing their shopping online. 2018 was a banner year for the e-commerce industry with digital marketplaces registering record growth. The Philippines also ranked first in social media use and time spent online, which makes us an ideal market where e-commerce could thrive. One of the many challenges faced by e-commerce merchants were payment options. As most of them were casual sellers and most of them unbanked, completing a transaction was a challenge. The Group came up with a solution for them with its Cash On Delivery and Cash On Pick-up service.

With this innovative new service, the Group enabled more merchants to get into the e-commerce arena. With COD/COP, merchants can have the Group deliver their goods, collect payment for them which in turn can either be remitted to their accounts or picked up from our branch.

This pioneering service has helped spur the growth of the e-commerce business and has contributed significantly to the Group's growth.

COP and COD utilizes two of the Group's core services: as a courier of parcels & boxes, and as a payment collection channel. As a trading place of the buyer and the seller, the Group's COP guarantees convenient and seamless transactions between seller and buyer. With this, buyer can now add the Group as a pick up point, instead of the traditional delivery scheme -like delivered at home, office, or meet ups. The online transactions are also guaranteed safe and reliable as sellers are assured that he or she will get paid, while the buyer will get the products in mint condition. The Group's wide network and serviceable areas also allows for buyers to shop from anywhere in the Philippines and reach more customers nationwide. The Group's rates promise to be more competitive as it hopes to provide value for money for every buyer and seller. For the Group's COD, on the other hand, the buyer simply pays the item ordered online upon delivery. The Group takes care of remitting the payment to the seller. Moreover, the best thing about Retail COP and COD is that sellers only need to go to any LBC branch and transact to start availing of the services. There is also no need to create an account on big online shopping sites or maintain a minimum volume of transactions per month to start their online business.

COMPETITION

Logistics

The Group faces competition from various Philippine companies with respect to its core business of express delivery, air cargo forwarding and Balikbayan Boxes services.

Express delivery comprises of services for documents, mails, parcels, and couriers at a premium price for faster delivery times. The principal methods of competition include pricing and geographical reach. The Group faces competition with 2Go Express, Inc. ("2Go"), Airfreight 2100, Inc. ("Air21"), Fast Cargo Logistics Group ("Fast Cargo"), JRS Business Corporation ("JRS"), and Philippine Postal Corporation ("PHLPost") for the local players and with DHL Express ("DHL"), FedEx Corp. ("FedEx"), TNT Express ("TNT"), and United Parcel Service, Inc. ("UPS") for the global players. As of December 31, 2018, the Group had the biggest geographical reach by having the most number of outlets among the local players at 1,397 established in strategic areas across the Philippine archipelago versus 742, 422, 99, 47, and 1,090 outlets of 2Go, JRS, Air21, Fast Cargo, and PHLPost, respectively.

In the domestic air freight forwarding business in the Philippines, the principal methods of competition include pricing and geographical reach. The Group effectively competes with other companies in these areas of competition being the leader in the retail logistics industry. In fact, from 2006 to 2017, LBC Express had consistently been the leader in domestic air freight forwarding in the Philippines in terms of weight. In 2017, LBC Express continued to be major player in domestic air freight forwarding business taking the lion's share at 21.98% of the total cargo traffic according to CAB. Although LBC Express has the leading position and significant market share in the courier and air freight forwarding industry, LBC Express faces competition from AP Cargo Logistics Network Corporation, Airfreight 2100, Inc., JRS Business Corporation, and Cargo Padala Express Forwarding Service Corp., which captured 17.79%, 12.63%, 7.96%, and 6.84% of the market share in 2017. International freight forwarders are also present in the domestic air freight forwarding industry in the Philippines, to include Nippon Express Philippines Corporation, Yusen Logistics Philippines, Inc., Schenker Philippines, Inc., Trans-global Consolidators, Inc., and Kuenhe & Nagel, Inc. However, international freight forwarders have historically not been strong competitors of LBC Express in the Philippines due to certain restrictions on foreign ownership in the cargo industry in the Philippines (see *"Philippine Foreign Exchange and Foreign Ownership Controls"* on page 260 of this Prospectus), as well as the high barriers to entry created by the dispersed geography of the archipelagic nation.

In the corporate logistics industry, the large industry players in the Philippines are 2Go and Fast Cargo. The main international competitors for the corporate sector are DHL, FedEx, and UPS. The principal methods of competition include bespoke service offerings and pricing. Although LBC Express' market share is still relatively small in the corporate logistics industry, its corporate logistics segment has maintained strong growth since LBC Express first formally introduced these services as a separate business line in 2010. LBC Express seeks to increase its market share by leveraging its existing brand and network from its retail services.

In the retail logistics industry, according to Ken Research, LBC Express had the largest Balikbayan Box market share at 19.29% in terms of revenues in 2015. Ken Research estimates the Balikbayan Boxes market to grow to U.S.$26.0 billion by 2023 from its latest estimate of U.S.$21.6 billion for 2018. The principal methods of competition include quality of service and pricing. According to Ken Research, LBC has been the most preferred cargo company for the delivery of Balikbayan Boxes to the Philippines due to its high quality of service and relatively lower prices amongst other service providers. These other service providers include Jolly B Box, Forex Cargo, Afreight Phils., which accounted for approximately 13.90%, 9.30%, and 8.50% of the overall Balikbayan Box market in 2015 in terms of revenues. Other players such as JRS, Pombato, Star Kargo, Tagalog, Manila Forwarder, and many more, collectively registered 49.00% revenue share in the year 2015.

Money Transfer Services

Generally, the remittance industry is made up of two (2) channels: formal and informal. Formal channels are money remittance agencies that are regulated by a government entity (i.e. Central Banks). They are recorded transactions that are coursed through formal banking channels and money transfer agencies. On the other hand, informal channels are remittance mediums that are not regulated by a government agency. These are money transfers that occur through private transfers that can include remittances brought by friends, relatives and the migrant worker him/herself, or unrecorded channels.

On the formal channel, LBC Express competes against Philippine banks and various non-banks, such as pawnshops, for its international and domestic remittance services. Philippine banks, such as BDO Unibank, Inc. ("BDO"), Bank of the Philippine Islands ("BPI"), Philippine National Bank ("PNB"), Metrobank, and RCBC, account for the significant majority of market share in terms of volume for both domestic and international remittances. However, because LBC Express targets the unbanked population in the Philippines (which account for the 65.50% of the Filipinos as of December 31, 2017 based on the Global Findex Data of the World Bank), LBC Express believes that its domestic remittance business has significant room for additional growth.

Moreover, LBC Express' main non-bank competitors in the remittance industry include 2Go, Cebuana Lhuillier, I-Remit, Inc., Lucky Money, Palawan Pawnshop, among others. LBC Express believes that high barriers to entry, including regulatory licenses and a distribution network, make it unlikely that there will be additional material competitors in the future. For the bills payment segment, LBC Express' largest competitors are bills payment outlets owned and operated by the SM group of companies at its various malls, as well as various banks.

The principal methods of competition include greater liquidity, superior foreign exchange rates, price, and geographic reach. In terms of geographic reach, the banks collectively have a total of 12,316 branches that offer money transfer services, while LBC has 1,397 outlets, while its competitors Cebuana Lhuillier, M Lhuillier, and Palawan Pawnshop have 2,287, 1,565, and 1,429 outlets, respectively.[7]

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Group is committed to providing high quality service for customers in all areas of its business. To this end, it has in place standards and procedures to ensure a quality, reliable and seamless customer experience. The Group has in place the following procedures to monitor the quality of its services on a regular basis, as well as plan for contingencies that may otherwise cause an interruption in its business.

Discrepancy Reporting and Undeliverable Items

To ensure that loss and damage is minimal, LBC Express trains all relevant employees in the proper handling of parcels and cargo. It also has in place stringent procedures for scanning of shipments at all touch points. Upon withdrawal of an item at a distribution center, a manifest of all scanned barcodes is printed, which is later checked against outgoing shipments. Pursuant to LBC Express' standard operating procedures, all shipping discrepancies must be reported as they occur, with team leaders at the Central Exchange and regional distribution centers responsible for preparing preventive and corrective action, as well as compiling and providing discrepancy reports to the management on a regular basis. Discrepancies include damage, incomplete addresses, misrouted parcels and cargo, shipments to out-of-delivery-zone addresses, pilferage and improper acceptance.

When shipments are undeliverable because, for example, a recipient is unknown or not found at the destination address, or the destination address is not locatable, LBC Express will send out multiple notices to the sender, including initially an e-mail, followed up by a phone call and, as a last resort, a letter by registered mail. Shipments that remain unclaimed following these procedures (which typically take place over the course of six months to a year) are auctioned, with proceeds generally donated to charity after deducting costs incurred by LBC Express for storage and other related expenses.

Cash Collection and Management

LBC Express has implemented strict and comprehensive cash collection and management policies and procedures to minimize operational errors and promote customer trust. For example, every LBC Express-owned branch office is required to set up "cash sanctuaries" to minimize financial loss in the event of a robbery. In addition, LBC Express also sets strict limits on the amount of cash each branch is permitted to hold before the branch is required to make cash deposits at a bank, as well as value limits on cash deliveries of Pesopak.

Compliance with LBC Express' cash collection and management policies and procedures is monitored through random audits conducted by LBC Express' general accounting staff. Each branch has a team leader who is

[7] Based on the respective Company Websites

responsible for appointing two cash custodians, one primary cash custodian and one back-up cash custodian, maintaining a team resolution (which is signed by all branch associates and delineates the type of funds kept by the cash custodians) and producing readily-available documents showing proper cash turn-over among associates. The primary cash custodian is required to properly account for cash under safekeeping on a daily basis and ensure that there is no mingling of Company funds with customer funds. Every branch associate is required to undertake precautions to safeguard the cash within his or her branch office.

Business Continuity

The success of LBC Express' business is particularly dependent on the efficient and uninterrupted flow of its operations.

To safeguard against unanticipated interruptions in its business, LBC Express has instated the following business continuity plans and procedures:

- *Information Technology*. With respect to technology, LBC Express has back-up servers managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, LBC Express has in place a back-up system whereby communication is maintained through mobile text messaging.

- *Transportation (Logistics).* Although LBC Express relies on airline and shipping carriers for its daily freight forwarding operations, it also has in place alternative procedures in the event that an airline or shipping carrier is unavailable. For example, when flights are grounded due to severe weather, LBC Express' vehicle fleet is capable of making deliveries by ground. Although ground deliveries may take longer than air cargo shipments, this enables LBC Express to continue its service even when other modes of transportation may be unavailable. When its usual shipping carriers are unavailable, LBC Express also makes use of its vehicle fleet. The vehicles can make deliveries to any region accessible by land, or can make use of RORO ("roll-on-roll-off") car ferries to reach locations that require sea transport.

- *Funding Insufficiencies (Remittances).* Although the Global Remittance Team monitors and makes daily estimates of the funding needs of each branch, on occasion, there may be insufficient funds at a given location to encash a remittance. In such a case, LBC Express has in place procedures for either nearby branches to deliver the necessary sums, or for authorized personnel to withdraw the cash from one of LBC Express' local bank accounts.

PROPERTY AND EQUIPMENT

Real Property

As of the date of this Prospectus, the Group does not own any real property.

The Company and LBC Express' registered office is located at the LBC Hangar at the General Aviation Center in the Old Domestic Airport, Pasay City pursuant to a lease with the Manila International Airport Authority. The LBC Hangar houses the Central Exchange, as well as LBC Express' Information Technology Team and Global Remittance Team. The aggregate floor space of the LBC Hangar is approximately 2,160 sq. m.

In addition, LBC Express leases the spaces for all of its 1,397 owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is three to seven years, with renewal options under most of the lease agreements. Branch offices are refurbished approximately every five to seven years, and LBC Express considers strategic relocation of branch offices from time to time to meet changing market demands. Currently, LBC Express has 13 distribution centers, located in primary provinces such as Cebu, Iloilo, Bacolod, Davao, Cagayan De Oro, General Santos, and Tacloban.

For its general and administrative activities, LBC Express leases office space in Two E-com Center in at the Mall of Asia Complex, Pasay City.

All of LBC Express' branches, distribution centers, delivery hubs and warehouses are operated and owned by LBC Express.

For the years ended December 31, 2016, 2017 and 2018, the Group's total rental expense amounted ₱711.0 million, ₱831.6 million and ₱1,002.9 million, respectively.

Equipment

Other property and equipment owned by LBC Express in the Philippines primarily comprises its fleet of 3,187 delivery vehicles (including 2,635 motorcycles and 552 vans as of December 31, 2018), servers, computers and peripheral equipment, software, vaults, handheld scanners, X-ray scanners and its bulk mail sorting machine.

EMPLOYEES

As of December 31, 2018, the Group had, on a consolidated basis, 7,652 full-time employees, compared to 6,921 and 6,539 full-time employees as of December 31, 2017 and 2016, respectively. The Group continues to add to its workforce on a regular basis in line with the growth of its business. In the next twelve months, the Group expects its workforce to increase to 9,500 full-time employees. Under the Group's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Group in the Philippines are primarily trained in-house.

The Group maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines. In addition, in the fourth quarter of fiscal year 2013, the Group established an early retirement option for its employees in the Philippines with a tenure exceeding 10 years. The early retirement option involves a one-time severance payout for employees who opt in based on annual salary and years of service at the Group. The Group expects the early retirement option to bring down the average age and salary of its workforce in the Philippines and to decrease its salaries and wages expense moving forward.

The following table sets out the number of employees of LBC Express and its Subsidaries by job function as of December 31, 2018:

	Number of Employees
Management and Administrative Associates	189
Central Exchange and Regional Distribution Center Associates ...	263
Branch Associates	3,602
Drivers and Couriers..	1,887
Other..	1,711
Total...	**7,652**

Note:

(1) *Figures presented do not include probational employees (i.e. individuals who had been employed by the Group for less than six-months as of the period indicated).*

As of December 31, 2018, four LBC Express subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 805 employee memberships. Approximately 442 of these employees in the Philippines belong to one of the six labor unions (for four subsidiaries) and the remaining approximately 111 employees belong to one of the other five labor unions. LBC Express believes that there is sufficient coverage by its other, non-unionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. LBC Express has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that LBC Express' relationship with its employees in general is satisfactory.

the Group complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations in all of the jurisdictions in which it operates. The Group has in place internal control systems and risk management procedures, primarily overseen by its Corporate Compliance Group, Labor Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

In addition to full-time employees, the Group relies on contractors for the peak seasons, such as during the Easter and Christmas seasons, to satisfy increased demand for services.

INSURANCE

The Group carries insurance of the types and in amounts that are customary in its industries and that it believes will reasonably protect its interests. LBC Express maintains a commercial all-risks policy with UCPB General Insurance Co, Inc., which covers property damage, machinery breakdown and money insurance, among others. LBC Express also maintains a group life insurance policy with Philippine American Life and General Insurance Company. Finally, LBC Express maintains a personal accident insurance policy with Chartis Philippines Insurance Inc.

LBC Express also requires its contractors, as well as other vendors, to maintain certain insurance policies. In the case of freight forwarded by air or sea, the airline carrier/sea carrier bears the liability of delay or loss while the shipment is under its consignment, and LBC Express can counterclaim against these carriers if the customer makes a claim against LBC Express. In each case, these insurance policies are subject to various caps on liability, on both per claim and aggregate basis, as well as certain deductibles, exclusions, and other terms and conditions. See *"Risk Factors – Risks Relating to the Group's Business – The Group may not have adequate insurance to cover all potential liabilities or losses"* on page 42 of this Prospectus.

LEGAL PROCEEDINGS

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Group for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Group against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its Subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant Subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its Subsidiaries.

On November 2, 2015, LBC Bank, through its receiver/liquidator, the PDIC, filed a case against LBC Express and LBC Development Corporation, together with other respondents, for a total collection of ₱1.82 billion. The PDIC seeks to collect allegedly unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The case is entitled *"LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation, vs. LBC Express, Inc., LBC Development Corporation, LBC Properties, Inc., Juan Carlos Araneta, Santiago G. Araneta, Fernando G. Araneta, Monica G. Araneta, Carlos G. Araneta, Ma. Eliza G. Berenguer, Ofelia F. Cuevas, Apolonia L. Ilio, Joseph Jeffrey Rodriguez, and Arlan T. Jurado,"* and docketed as Civil Case No. 15-1258. It was initially raffled to Branch 143 of the Makati City Regional Trial Court.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBC Express. The writ of preliminary attachment resulted in the (a) tagging of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBC Development Corporation and; (b) the attachment of various banks accounts of LBC Express totalling ₱6.90 million. The tagging of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any of the said shares in the records, unless the writ of attachment is lifted, quashed or discharged.

On January 12, 2016, LBC Express and LBC Development Corporation filed with the court a Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion. On January 21, 2016, they also filed an Urgent Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion and on January 21, 2016, filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the court issued an order to lifting and setting aside the writ of preliminary attachment. The said order directed the sheriff of the court to deliver to LBC Express. and LBC Development Corporation all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBC Express and LBC Development Corporation, which is for an amount equal to ₱1.82 billion, the total amount of the claim, shall stand in place of the properties so released and shall serve as security to satisfy any final judgement against LBC Express or LBC Development Corporation in the case. Furthermore, LBC Development Corporation has expressly undertaken to both the Company and LBC Express to fund, through additional equity in LBC Express, any amount that the latter may be adjudged to pay in the case.

Pursuant to the said order setting aside the writ of preliminary attachment and garnishment, RCBC Stock Transfer Department has effected, as of July 13, 2016, the lifting of the (i) tagging of LBC Express Development Corporation's 1,205,974,632 shares in the Company and (ii) garnishment of PLDT preferred shares of LBC Development Corporation.

In a Joint Resolution dated June 28, 2016, the court resolved to deny the Motion to Dismiss filed by LBC Express, as well as the other defendants. On July 18, 2016, LBC Express, together with the other defendants, filed motions for reconsideration of the Joint Resolution. In its Resolution dated February 16, 2017, the court resolved to deny the defendants' Motion for Reconsideration and directed the defendants to file their respective Answers within the remaining period. On 24, April 2017, LBC Express and LBC Development Corporation filed a Petition for Certiorari with the Court of Appeals, assailing the Joint Resolution denying the motions to dismiss.

The Petition for Certiorari is entitled *"LBC Express, Inc. and LBC Development Corporation vs. Hon. Maximo M. De Leon and LBC Development Bank, as represented by its receiver/liquidator, the Philippine Deposit Insurance Corporation,"* and docketed as CA-G.R. SP No. 150698. On February 28, 2019, the Court of Appeals denied the Petition for Certiorari. LBC Express and LBC Development Corporation filed a motion for reconsideration on March 21, 2019. On April 8, 2019, the Court of Appeals ordered the PDIC to file its comment to the motion for reconsideration within ten days.

On April 10, 2017, the other defendants filed their respective Answers while LBC Express and LBC Development Corporation filed their Answer on April 11, 2017. Initially, the court issued a resolution dated June 15, 2017 declaring the LBC Express, LBC Development Corporation and the other defendants in default. On July 7, 2017, LBC Express, LBC Development Corporation and the other defendants filed their respective Verified Omnibus Motions for Reconsideration, to Lift the Order of Default, and to Suspend Proceedings, praying for the reversal of the order of default and the suspension of the proceedings pending such motion. The other defendants also filed an Urgent Motion for Inhibition. The court then issued a Joint Resolution dated July 20, 2017, lifting the order of default and admitting all of the Answers filed by the defendants, including LBC Express and LBC Development Corporation. The judge of Branch 143 also granted the urgent motion for inhibition and the case was re-raffled to Branch 142. The PDIC filed a Motion for Reconsideration dated August 7, 2017 of the Joint Resolution. The defendants, including LBC Express and LBC Development Corporation, have filed oppositions and the said motion is currently pending resolution.

The parties were then referred to mediation and Judicial Dispute Resolution (JDR) in order to discuss the possibility of amicable settlement. Although LBC Express is open to an amicable settlement, negotiations did not prosper and mediation was terminated on 8 December 2017, while JDR was terminated on January 19, 2018.

The case was re-raffled to Branch 134 of the Makati RTC. The Acting Presiding Judge issued an Order dated April 12, 2018, setting the case for preliminary conference on May 31, 2018. However, the counsels have agreed to file a joint motion to defer or suspend the preliminary conference, in order to continue the discussion of an amicable settlement. PDIC, LBC Express, LBC Development Corporation, and the other defendants filed a Joint Motion to Suspend Proceedings, praying that the Makati RTC postpone pre-trial in order to give the parties an additional opportunity to discuss amicable settlement. In the Order dated May 25, 2018, the Makati RTC granted said Joint Motion, suspending the proceedings and deferring the pre-trial to September 6, 2018.

Thereafter, a new Presiding Judge was appointed to Branch 134 of the Makati RTC, and subsequently the scheduled pre-trial on September 6, 2018 was deferred by the new Presiding Judge.

On or about September 3, 2018, PDIC filed a motion to issue alias summons to five individual defendants, who were former officers and directors of LBC Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them.

On October 26, 2018, the Motion to Defer Pre-Trial scheduled on November 15, 2018 was filed because the PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, pre-trial should be deferred until the court acquires jurisdiction over them.

At the hearing held on November 9, 2018, which the PDIC did not attend, the judge directed PDIC's counsel to coordinate with the Sheriff and cause the service of summons promptly. The judge then rescheduled the pre-trial to January 23, 2019. On November 21, 2018, the comment from the PDIC was received, arguing that pre-trial can proceed, even without the presence of the five individuals because they are merely necessary parties to the case, and not indispensable parties.

As of early January 2019, the alias summons was served on only two of the individual defendants, in which they filed Motion to Dismiss on November 2018 and January 2019. The PDIC filed its comments thereto and both Motions to Dismiss were deemed submitted for resolution.

On January 18, 2019, PDIC filed a Pre-Trial Brief. LBC Express, LBC Development Corporation and the other defendants, on January 21, 2019, filed a Motion, asking the court o direct the PDIC to explain in writing its compliance with the previous order to cause the service of summons on the remaining five individual defendants and to defer pre-trial until the court has acquired jurisdiction over them.

On January 23, 2019, the Judge ordered the PDIC to file its comment to the Motion and rescheduled the pre-trial to February 21, 2019.

The PDIC filed a Comment with Motion to Declare Defendants in Default, arguing that the pre-trial should proceed and that the current defendants are just delaying the proceedings. The PDIC also explained its efforts to serve summons on the five individuals but admitted that it had only served summons of two of the individual defendants. The PDIC also stated that it is filing another motion for the issuance of another round of alias summons for the three remaining defendants.

On February 4, 2019, LBC Express, LBC Development Corporation and the other defendants filed a Reply arguing that: (a) the PDIC never explained the three-year delay in serving summons on the other defendants, (b) it is the PDIC's omission which have made the proceedings disorderly because not all of the defendants are at the pre-trial state, and (c) to avoid complications, the pre-trial should be deferred until the court has acquired jurisdiction over all defendants.

The court conducted a hearing on February 1, 2019 on the Motion to Declare Defendants in Default and granted time to submit comment thereto. LBC Express, LBC Development Corporation and the other defendants filed a Comment/Opposition on February 11, 2019, arguing that there is no basis to consider the current defendants in default because they are appearing at every hearing and that there are pending motions citing just and valid reasons to defer pre-trial, considering that summons are still being served on some defendants. Emphasis was given in particular that once jurisdiction is acquired over individual defendants, they will file their own answers, raising their own defenses, which should be considered at pre-trial. Also, it is mandatory to refer them to mediation and Judicial Dispute Resolution (JDR) for possible amicable settlement of the entire case. Even if mediation and JDR fail, the current judge is required by procedural rules to raffle the case to another branch so that his judgment is not influenced by matters discussed during JDR.

On February 18, 2019, a Pre-Trial Brief was filed by LBC Express, LBC Development Corporation and the other defendants, without prejudice to the defendants' pending motions to defer Pre-Trial.

At the hearing scheduled on February 21, 2019, the Judge took note of all the pending motions and said that they are deemed submitted for resolution. In the meantime, the Judge directed the parties to perform a pre-marking of all their documentary exhibits before the clerk of court. The Judge then rescheduled Pre-Trial to March 28, 2019.

On March 6, 2019, with respect to CA-G.R. SP No. 150698, LBC Express and LBC Development Corporation received a copy of the Court of Appeals' Decision dated February 28, 2019, denying the Petition for Certiorari. The Court of Appeals ruled that the PDIC representative was sufficiently authorized to sign the verification and the PDIC does not need to secure prior approval of the liquidation court to file the case. LBC Express and LBC Development Corporation filed a motion for reconsideration last March 21, 2019, which is currently pending.

The Pre-Trial scheduled for March 28, 2019 was subsequently reset to May 2, 2019, due to the order of Executive Judge for courts to conduct records disposal during the week of March 28, 2019.

The PDIC pre-marked its evidence during pre-marking conferences held last March 6 and 11, 2019. LBC Express, LBC Development Corporation and the other defendants started pre-marking its evidence on March 22, 2019 and April 10, 11, 12, 24, 29 and 30 2019.

At the pre-trial hearing on May 2, 2019, the judge released his Order, whereby he: (a) noted that several of the individual defendants have already received summons, (b) consequently, granted the motion of LBC Express to defer pre-trial proceedings in order to have an orderly and organized pre-trial, (c) cancelled the pre-trial hearing until the other defendants have filed their answers, and (d) denied the PDIC's motion to declare the defendants in default. The judge also denied the Motion to Dismiss of Mr. Santiago Araneta.

While waiting for the other defendants to file their respective answers, the PDIC, LBC Express and LBC Development Corporation and the other defendants will continue with the pre-marking of their evidence on May 8, 2019.

All material pending legal proceedings against the Group and the Araneta Family have been disclosed in this section of the Prospectus and under *"Board of Directors and Senior Management – Involvement in Certain Legal Proceedings of Directors and Executive Officers"* on page 217 of this Prospectus.

CORPORATE SOCIAL RESPONSIBILITY

Community Outreach

LBC Express makes donations from time to time to its affiliate LBC Hari ng Padala Foundation, Inc., a non-profit organization owned by LBC Development Corporation that engages in a variety of charitable activities such as providing food and medical care to those in need, operating a recycling facility whose proceeds are donated to public schools and parks, and providing books and other materials to schools through various non-governmental agencies.

Environmental Initiatives

The Group is committed to reducing environmental impact in its operations while at the same time maximizing efficiencies. In particular, one of the initiatives LBC Express is exploring is to effectively consolidate shipments to maximize delivery truck utilization. Similarly, trucks receiving goods from within Metro Manila will be made to deliver the shipments directly to LBC Express' cross-dock facility, eliminating the need to have smaller trucks transport these shipments for delivery from the hangar or other delivery point. The Group expects these measures to significantly reduce fuel consumption, help improve the Metro Manila traffic situation and minimize its carbon footprint.

RECENT DEVELOPMENTS

Issuance of a secured Convertible Instrument due 2024

On June 20, 2017, the Board of Directors of the Company approved the following:

(a) The issuance of the LBC Convertible Instrument in the aggregate amount of USD50,000,000.00, in favor of CP Briks (the "Transaction"). The proceeds of the LBC Convertible Instrument will be used to fund the growth of the business of the Company, including capital expenditures and working capital. The LBC Convertible Instrument shall be convertible to shares of the Company, to be issued out of the unissued portion of the Company's authorized capital stock.

(b) The creation of a pledge over all of the Company's shares in LBC Express in favor of CP Briks, to secure its obligations under the Transaction, subject to the approval of the shareholders of the Company in a meeting called for this purpose. Pending approval of the shareholders of the Company being secured, the obligations of the Company shall be secured by a third party pledge to be extended by LBC Development Corporation, the parent company, over 51% of the outstanding capital stock of the Company owned and held by LBC Development Corporation.

CP Briks is an investment holding entity, incorporated on 19 May 2017 and is domiciled in Singapore. It is managed by Crescent Fund Management Pte Ltd., a Singapore based private equity and special situations investment firm focusing on category-leading companies benefiting mainly from the consumer-driven and urbanization trends in Southeast Asia, China and Australia. CP Briks is not a related party, and its investment in the LBC Convertible Instrument is not at the direction, nor from the funds, of the Company, LBC Express, LBC Development Corporation, and to any shareholders of the Corporations.

Conditions Precedent to the issuance of the Convertible Instrument

Immediately following such approval, the Company entered into an Omnibus Agreement relating to the above Transaction, wherein the Company agreed to issue, and CP Briks agreed to purchase, the LBC Convertible Instrument, subject to the fulfillment of certain conditions precedent which are customary for transactions of similar nature. Specifically, these consisted of the following:

(a) the representations and warranties of the Company and CP Briks shall have been true and accurate in all respects and not misleading when made and at the time of closing;

(b) the parties shall have performed and complied with all agreements and conditions contained in the agreement required to be performed or complied with by them prior to or at closing and, after giving effect to the issuance of the LBC Convertible Instrument, no event of default shall have occurred and be continuing;

(c) the Company shall have delivered to CP Briks a signed copy of the trademark license agreement with LBC Development Corporation and the certificates evidencing the pledged shares;

(d) the receipt by CP Briks of a legal opinion from the Company's counsel;

(e) the receipt by CP Briks from the Company of an officer’s certificate dated as of the issuance date, in form and substance acceptable to CP Briks;

(f) the receipt by the Company of a certificate dated as of the issuance date confirming that CP Briks has satisfied the conditions set forth in (a) and (b) above;

(g) CP Briks has received approval of the transaction from its investment committee; and

(h) CP Briks has completed a due diligence investigation of the Company to its satisfaction.

On August 4, 2017 (the “Issuance Date”), pursuant to the Omnibus Agreement, the Company issued, in favor of CP Briks, the seven-year LBC Convertible Instrument in the aggregate principal amount of US$50.0 million, due 2024 or the seventh anniversary from the Issuance Date (the “Maturity Date”), upon and following full compliance of all the aforementioned conditions.

Security for the Convertible Instrument

Simultaneous with the issuance of the LBC Convertible Instrument, LBC Development Corporation, extended a third-party pledge in favor of CP Briks (the "Initial Security") over 51% of the outstanding capital stock of the Company owned and held by LBC Development Corporation to secure the obligations of the Company under the LBC Convertible Instrument. The Initial Security was extended pending approval by the shareholders of the Company of the pledge over all of the Company's shares in LBC Express.

On August 29, 2017, the shareholders of the Company approved (i) the issuance of the LBC Convertible Instrument in favor of CP Briks and (ii) the constitution of a pledge over all of the Company's shares in LBC Express, Inc in favor of CP Briks. On October 3, 2017, consistent with the terms of the LBC Convertible Instrument, the Initial Security was discharged and the pledge over the shares of LBC Development Corporation in the Company was released. On the same date, the Company entered into a pledge supplement with CP Briks whereby the Company constituted in favor of CP Briks a pledge over all of the Company's shares in LBC Express consisting of 1,041,180,504 common shares, representing 100% of the total issued and outstanding capital stock of LBC Express (the "LBC Express Shares").

Under the terms of the pledge of the LBC Express Shares as a security for the LBC Convertible Instrument, unless and until an event of default shall have occurred and be continuing, the Company, as pledgor, shall be entitled to continuously exercise its shareholder rights in respect of the LBC Express Shares, including the right to vote all or any part of the LBC Express Shares and to give consents, waivers, or ratifications in respect thereof, provided that, generally, no such exercise of such right would violate the terms of the pledge or impair the pledge lien constituted over the LBC Express Shares.

Furthermore, unless and until an event of default shall have occurred and be continuing, all cash dividends or distributions of profits in respect of the LBC Express Shares, shall be paid directly to the Company, provided that all additional shares of stock in LBC Express (other than cash or financial assets) distributed by way of property dividends or received by the Company by reason of a stock split, reclassification, combination of shares or similar arrangements, or any consolidation, merger, exchange of stock, conveyance, liquidation, or similar corporate reorganization in LBC Express, shall form part of the security for the LBC Convertible Instrument.

Terms of Conversion of the Convertible Instrument

The value of the LBC Convertible Instrument is driven primarily by two risk factors: underlying stock prices and interest rates. Interest rates are driven by using risk-free rate, which is a market observable input, and credit spread, which is not based on observable market data.

Conversion by Holder

Under the terms of the LBC Convertible Instrument, CP Briks shall be entitled to convert any portion of the outstanding and unpaid Conversion Amount into common shares of the Company at the Conversion Price in effect at the time of conversion, at any time during the Conversion Period.

"Conversion Amount" means the Philippine Peso equivalent of the outstanding principal amount of the LBC Convertible Instrument to be converted and "Conversion Period" means the period commencing on the 75th day after the Issuance Date and ending on the tenth Business Day prior to the Maturity Date. "Conversion Price" means as of the date of conversion, initially Thirteen Pesos (Php13.00) per share, subject to the following adjustments:

a. Three (3) years following the Issuance Date (the "Reset Date"), if the thirty (30) Trading Day Weighted Average Price of the Company's Common Shares on the PSE for the thirty (30) Trading Days prior to the third anniversary of the Issuance Date is not higher than the Conversion Price (as adjusted for any reverse stock splits or share buybacks, if applicable), the Conversion Price shall be adjusted on Reset Date to the thirty (30) Trading Day Weighted Average Price prior to the Reset Date.

b. The Conversion Price is also subject to adjustment in the following instances:

i. Upon Issuance of Common Shares. If and whenever on or after the Issuance Date, the Company issues or sells any Common Shares (including the issuance or sale of Common Shares owned or held by or for the account of the Company), for a consideration per share (the "New Issuance Price") less than a price (the "Applicable Price) equal to the Conversion Price in effect immediately prior to such issuance or sale or deemed issuance or sale (a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Conversion Price then in effect shall be reduced to an amount equal to the New Issuance Price.

ii. Adjustment of Conversion Price upon Subdivision or Combination of Common Shares. If the Company at any time on or after the Issuance Date subdivides (by any stock dividend, stock split, recapitalization or otherwise) one or more classes of its outstanding Common Shares into a greater number of shares, the Conversion Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time on or after the Issuance Date combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding Common Shares into a smaller number of shares, the Conversion Price in effect immediately prior to such combination will be proportionately increased.

iii. Other Events. If any event occurs of the type contemplated by the above described paragraphs but not expressly provided for by such provisions that, had it been expressly provided for by such provisions, would have required an adjustment in the Conversion Price, the Company's Board of Directors will make an appropriate adjustment in the Conversion Price so as to protect the rights of the Holder under the Instrument; provided that no such adjustment will increase the Conversion Price as otherwise determined pursuant to this Section.

Under the terms of the LBC Convertible Instrument, no adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) of such price. No adjustment need be made for a change in the par value or no par value of the Company's Common Shares.

Conversion by the Company

On the other hand, the Company shall have the right to elect to automatically convert some or all of the conversion amount at any time after obtaining pre-approval from the PSE for the listing of the underlying shares of the Instrument under the following cases:

First, if (a) the closing sale price of the Company's common shares listed on the PSE is at least 50% above the Conversion Price then in effect for a period of 30 consecutive trading days ending on the trading date immediately preceding the date of the Company's notice (the "Company Conversion Measuring Period"), and (b) the daily trading volume of the Company's common shares listed on the PSE equals or exceeds PHP75 million on each day during the Company Conversion Measuring Period (together, the "Company Conversion Conditions"), the Company shall have the right to elect to automatically convert some or all of the conversion amount up to a multiple of three times the average daily trading volume of the common shares trading on the PSE over such Company Conversion Measuring Period. If after six months following such conversion, the Company Conversion Conditions continue to be met, the Company may exercise its right to effect another conversion; provided, however, that such conversions shall not exceed US$10 million in each case.

Second, if any offering, placement of shares or similar transaction is planned by the Company where it reasonably believes that: (a) the percentage of the Company's common shares held by the public increases to at least 30% as a result of such transaction, (b) the value of such offering is not less than US$100 million, and (c) the common share price is at least PHP22.00 per share (the "Re-IPO Conditions"), the Company shall have the right to elect to automatically convert some or all of the conversion amount.

Redemption of the Convertible Instrument

The LBC Convertible Instrument (to the extent that the same has not been converted by CP Briks as the holder or by the Company) is redeemable at the option of CP Briks, commencing on the 30th month from the Issuance Date at the redemption price equal to the principal amount of the Instrument plus an internal rate of 13% (decreasing to 12%, 11% and 10% on the 4th, 5th and 6th anniversary of the Issuance Date, respectively).

Financial Covenants of the Company

In addition to the standard loan covenants for transactions of similar nature, the Company also has a covenant to ensure that, on a consolidated basis, (a) the ratio of total debt to EBITDA (excluding the LBC Convertible Instrument) for any relevant period shall not exceed 2.5:1; (b) the ratio of EBITDA to finance charges for any relevant period shall not be less than 5.0:1; and (c) the ratio of total debt (excluding the LBC Convertible Instrument) on each relevant date to shareholders' equity for that relevant period shall be no more than 1:1. The determination and calculation of the foregoing financial ratios are subject to the terms of the LBC Convertible Instrument. The Company also has a covenant to ensure that neither it or its subsidiaries shall incur, create or permit to subsist or have outstanding indebtedness, as defined in the Omnibus Agreement, or enter into agreement or arrangement whereby it is entitled to incur, create or permit to subsist any indebtedness.

Use of Proceeds

The proceeds of the LBC Convertible Instrument shall be used to fund the growth of the business of the Company, including capital expenditures and working capital, as follows:

(a) within the next 12 months, the Company expects to use approximately PHP780 million to acquire overseas based businesses under common control with the Company;

(b) within the next six months, the Company expects to use approximately PHP300 million to retire short term debts of its subsidiary, LBC Express.; and

(c) the remaining balance will be used to fund potential business prospects and/or retire long term debt of its subsidiary, LBC Express.

Pending the above use of proceeds, the proceeds will be invested in short-term liquid investments including but not limited to short-term government securities, bank deposits and money market placements which are expected to earn at prevailing market rates.

The Company has commenced the acquisition of various overseas entities using proceeds from the LBC Convertible Instrument. The details of these acquisitions are described below.

Acquisition of Foreign Subsidiaries

On March 7, 2018, the Board of Directors of the Company approved the purchase of 100% the shares of the following cargo and remittance companies:

1. LBC Mabuhay Saipan, Inc. – a cargo and remittance company in Saipan
2. LBC Mabuhay Hawaii Corporation - a cargo and remittance company in Hawaii
3. LBC Mundial Corporation – a cargo and remittance company in California
4. LBC Mabuhay North America Corporation – a cargo and remittance company in New Jersey

These acquisitions are expected to benefit the Company by contributing to its global revenue stream.

On March 7, 2018, the Company signed separate Share Purchase Agreements for the acquisition of the shares in the aforementioned companies.

As of the date of this Prospectus, the regulatory approvals for the purchase of the shares in the aforementioned companies (excluding LBC Mabuhay Hawaii Corporation) have already been obtained from relevant government agencies and the purchase of shares has been completed. The closing conditions for the sale of the shares in LBC Mabuhay Hawaii Corporation have not yet been obtained to date.

On June 27, 2018, the Board of Directors of the Company approved the purchase of 100% of the shares in the following companies:

1. LBC Australia PTY Limited – a company which operates as a cargo company in Australia
2. LBC Money Transfer PTY Limited – a company which operates a remittance company in Australia
3. LBC Express Airfreight (S) PTE. LTD. – a company which operates as a cargo company in Singapore
4. LBC Aircargo (S) PTE. LTD, – a company registered in Singapore which operates a cargo branch in Taiwan

These acquisitions are likewise expected to benefit the Company by contributing to its global revenue stream.

On June 27, 2018, the Company signed separate Share Purchase Agreements for the acquisition of the shares in the aforementioned companies. As of the date of this Prospectus, the purchase of the shares in the aforementioned companies has already been completed.

On August 14, 2018, the Board of Directors of the Company approved the purchase of 92.5% of the shares in LBC Mabuhay (Malaysia) SDN BHD, a company which is engaged in the business of courier services in Malaysia. The acquisition is expected to benefit the Company by contributing to its global revenue stream. On the same date, the Company signed the Share Purchase Agreement for the acquisition of the shares. As of the date of this Prospectus, the purchase of the shares in in LBC Mabuhay (Malaysia) SDN BHD has already been completed.

On October 15, 2018, the Board of Directors of the Company approved the purchase of 50% of the shares in the following companies:

1. LBC Mabuhay Remittance SDN BHD – a company engaged in the business of remittance in Brunei
2. LBC Mabuhay (B) SDN BHD – a company engaged in the business of logistics in Brunei

These acquisitions are likewise expected to benefit the Company by contributing to its global revenue stream.

On October 15, 2018, the Company signed separate Share Purchase Agreements for the acquisition of the shares in both companies. As of the date of this Prospectus, the purchase of the shares in both companies has been completed.

Acquisition of Orient Freight International, Inc., QuadX Pte. Ltd. and QUADX INC.

On March 19, 2018, the Board of Directors of the Company approved the following transactions:

1. Acquisition of thirty percent (30%) equity interest in Orient Freight International, Inc. ("OFI") by: (a) purchasing 1,150,000 common shares held by Rayomar Management, Inc. in OFI; and (b) subscribing to 3,285,714 unissued common shares of OFI.; and
2. Acquisition of shares of QUADX INC. in order to diversify the Company's businesses by acquiring QUADX INC.'s debt to LBC Express and converting the same to equity in QUADX INC. QUADX INC. owns, maintains and/or operates and e-Commerce website including but not limited to an online marketplace, online marketing services, and an online retail store.

On April 4, 2018, the Board of Directors approved the investment and acquisition of eighty six percent (86.11%) equity interest in QuadX Pte. Ltd. through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by Fernando Gonzalez Araneta; and (b) the subscription to 85,248 unissued ordinary shares of QuadX Pte. Ltd.

On March 19, 2018, LBC Express assigned its receivables from QUADX INC. to the Company amounting to Php186.02 million. On the same date, the Company and QUADX INC. entered into a Subscription Agreement to subscribe to 1,860,214 shares of QUADX INC., through the conversion of the assigned advances to equity which represents 86.11% ownership by the Company. The increase in the authorized capital stock of QUADX INC. from which the subscribed shares is sourced, was Securities and Exchange Commission approved the application for increase in the authorized capital stock on June 14, 2018.

The Group's vision for the next few years is to pave the way for digital logistics in the Philippines, be a first mover in the space and continue to lead the industry. In recent years, the burgeoning E-commerce industry has created the fastest growing demand volumes for logistics providers, likewise an increased requirement in world-class service quality and trend-forward innovation. QUADX INC. is a startup company established in 2013 to create digital logistics platforms and solutions, to "disrupt and incubate" traditional logistics processes. To date, its widely popular digital platforms include ShippingCart and CheckMeOut, are both market leaders yielding approximately ₱754M in service revenues in 2017 alone. It is estimated that E-commerce, with the inclusion of "Social Selling," will continuously grow, and create more demand for digital logistics solutions and platforms. With this acquisition, the Company fortifies its leadership position, by strengthening and completing its value chain for all markets from B2B, B2C through to C2C, while continuing its vision of a globally competitive franchise in the years to come.

As of December 31, 2018, QUADX, INC. has a net loss of approximately ₱390.60 million. Nonetheless, the Company is confident that it will be able to refocus the strategic direction for QUADX, INC. which may include implementing certain organizational changes, with a view of turning around such losses for the Company. The Company is optimistic that such organizational changes will ultimately benefit both the Company and QUADX, INC.

On March 19, 2018, the Company purchased 1,150,000 shares of Rayomar Management, Inc. in Orient Freight International, Inc., for the sale price of ₱63.43 or a total of ₱72,944,500.00. Further, the Company subscribed to 3,285,714 common shares out of the unissued capital stock of Orient Freight International, Inc. at a subscription price of ₱44.40 for a total of ₱145,885,702.00. Orient Freight International, Inc. was established in 1973 and is now the leading freight forwarder and cargo handler in the Philippines and in South East Asia. Its services include air freight, sea freight, land transport, container yard, customs clearance, container freight station, logistics management, warehousing, and domestic distribution. Orient Freight International Inc. currently operates domestic offices and facilities in Manila, Clark, Cavite, Bataan, Laguna, Batangas, Subic, Cebu, Cagayan de Oro, Davao, and Zamboanga. Globally, the company partners with Hellmann Worldwide Logistics providing an international network of 437 branches in 162 countries.

The acquisition of Orient Freight International, Inc. will continue to move the Group toward expanding its business and maintaining its number one position in the industry. Having a stake in Orient Freight International, Inc. will yield better economies of scale for the Group, while also achieving improved cost efficiency in certain subsectors of the Group's business where the Group sees a great deal of growth prospects. In particular, Orient Freight International, Inc. is well-entrenched in brokerage, cold chain, automotive logistics, warehousing and distribution centers, and project logistics. As the Group looks into improving its position in the corporate segment investments into companies like Orient Freight International, Inc. to improve its visibility and capabilities to provide supply chain solutions to a broader base of the market.

Set out below is a summary of the acquisitions described above:

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
Santiago Araneta, Fernando Araneta, Juan Carlos Araneta, and Maria Monica Araneta (Sellers) and LBC Express Holdings, Inc. (Buyer)	LBC Mabuhay Saipan, Inc., which operates as a cargo and remittance company in Saipan. The remittance business of LBC Mabuhay Saipan, Inc. is regulated by the U.S Department of Commerce.	Total Assets: $686,625 Total Liabilities: $275,958 Total Equity: $410,667 Based on its Statement of Financial Position as at November 31, 2018[8]	US$207,652.00 for 120,000 shares of LBC Mabuhay Saipan Inc.	Share Purchase Agreement was signed on March 7, 2018	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
LBC Holdings USA Corporation (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Mabuhay Hawaii Corporation, which operates as a cargo and remittance company in Hawaii.	Total Assets: $799,699 Total Liabilities: $604,902 Total Equity: $194,797 Based on its Balance Sheet as	US$342,000.00 for 1,536,408 shares of LBC Mabuhay Hawaii Corporation	Share Purchase Agreement was signed on March 7, 2018	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The approval of the transaction from the relevant regulatory agencies is currently in process.

8 LBC Mabuhay Saipan Inc. is not required to file its audited financial statements with regulators in Saipan.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
	The remittance business of LBC Mabuhay Hawaii Corporation is regulated by the U.S Department of Business Oversight.	of November 30, 2018[9]					
LBC Holdings USA Corporation (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Mundial Corporation, which operates a cargo and remittance company in California, Oregon and Virginia and invests in LBC Mundial Nevada Corporation that operates as cargo and remittance entity in Nevada.	Total Assets: $13,101,617 Total Liabilities: $7,633,671 Total Equity: $5,467,946 Based on its Consolidated Financial Statement and Supplementary Information as of November 30, 2018	USD$6,864,000.00 for 4,192,546 shares of LBC Mundial Corporation	Share Purchase Agreement was signed on March 7, 2018	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The approval of the transaction from the relevant regulatory agencies was granted effective January 1, 2019.

9 LBC Mabuhay Hawaii Corporation is not required to file its audited financial statements with regulators in the United States.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
	The remittance business of LBC Mundial Corporation is regulated by the U.S Department of Business Oversight.						
LBC Holdings USA Corporation (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Mabuhay North America Corporation, which operates as a cargo and remittance company in New Jersey. The remittance business of LBC Mabuhay North America Corporation is regulated by the U.S Department of Business Oversight.	Total Assets: $4,010,334 Total Liabilities: $2,953,726 Total Equity: $1,056,608 Based on its Consolidated Balance Sheet as of November 30, 2018[10]	US$1,136,000.00 for 1,605,273 shares of LBC Mabuhay North America Corporation	Share Purchase Agreement was signed on March 7, 2018	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The approval of the transaction from the relevant regulatory agencies was granted effective January 1, 2019

[10] LBC Mabuhay North America Corporation is not required to file its audited financial statements with regulators in the United States.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
Orient Freight International, Inc. (Issuer) and LBC Express Holdings, Inc. (Subscriber)	Orient Freight International, Inc., a company involved in freight forwarding, warehousing and customs brokerage businesses	Total Assets: ₱578,315,973 Total Liabilities: ₱232,648,532 Total Equity: ₱345,667,441 Based on its Statement of Financial Position as of December 31, 2018	₱145,885,702.00 for 3,285,714 common shares of Orient Freight International, Inc.	Deed of Subscription was signed on March 19, 2018	Subscription price for the shares was at par value	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
Rayomar Management, Inc. (Seller) and LBC Express Holdings, Inc. (Buyer)	Orient Freight International, Inc., a company involved in freight forwarding, warehousing and customs brokerage businesses	Total Assets: ₱578,315,973 Total Liabilities: ₱232,648,532 Total Equity: ₱345,667,441 Based on its Statement of Financial Position as of December 31, 2018	₱72,944,500.00 for 1,150,000 common shares of Orient Freight International, Inc.	Deed of Absolute Sale of Shares was signed on March 19, 2018	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
QUADX, INC. (Issuer) and	QUADX, INC. owns, maintains and/or operates an e-	Total Assets: ₱834,992,025 Total Liabilities: ₱1,188,107,487 Total Equity:	Assignment of advances owed by QUADX, INC. to LBC Express Holdings, Inc.	Deed of Assignment and Subscription Agreement were signed on March	The consideration is based on fair market value.	Proceeds of the LBC Convertible Instrument issued to CP	The transaction has been completed.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
LBC Express Holdings, Inc. (Subscriber)	com website including but not limited to an online marketplace, online marketing services, and an online retail store	(₱353,115,462) Based on its Audited Financial Statements as of December 31, 2018	advances amounting to ₱186,021,400 for 1,860,214 shares of QuadX, Inc.	19, 2018.		Briks	
Fernando Gonzalez Araneta (seller) and LBC Express Holdings, Inc. (Buyer)	QuadX Pte. Ltd., a Singaporean limited liability company engaged in digital logistics business. The operations of QuadX Pte. Ltd. are not regulated in Singapore.	Total Assets: US$1,868,458 Total Liabilities: US$1,670,331 Total Equity: US$198,127 Based on unaudited Balance Sheet as of December 31, 2018[11]	US$862.00 for 862 ordinary shares of QuadX Pte. Ltd.	Share Transfer Form was signed on April 6, 2018	The consideration is based on par value.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
QuadX Pte. Ltd. (Issuer)	QuadX Pte. Ltd., a Singaporean	Total Assets: US$1,868,458 Total Liabilities:	US$85,248.00 for 85,248 ordinary shares of QuadX	Subscription was approved by LBC Express	The consideration is based on	Proceeds of the LBC Convertible	The transaction has been

[11] QuadX Pte. Ltd. is not required to file its audited financial statements with regulators in Singapore.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
and LBC Express Holdings, Inc. (Subscriber)	limited liability company engaged in digital logistics business	US$1,670,331 Total Equity: US$198,127 Based on unaudited Balance Sheet as of December 31, 2018	Pte. Ltd.	Holdings, Inc. Board of Directors on April 4, 2018	par value.	Instrument issued to CP Briks	completed.
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Aircargo (S) PTE. LTD., a company registered in Singapore that operates a cargo branch in Taiwan The operations of LBC Aircargo (S) PTE. LTD. are not regulated in Singapore or Taiwan.	LBC Aircargo (S) Pte. Ltd. – Taoyuan Total Assets: TW$9,692,492 Total Liabilities: TW$3,739,184 Total Equity: TW$5,953,307 LBC Aircargo (S) Pte. Ltd. – Taipei Total Assets: TW$2,013,748 Total Liabilities: TW$80,189,742 Total Equity: ($78,175,994) Based on its Statement of Financial Position as of November	US$146,013.00 for 94,901 shares of LBC Aircargo (S) PTE. LTD.	Share Purchase Agreement was signed on June 27, 2018	The consideration is based on fair market value. To determine the fair value, the Company used the Price-Earnings Multiple (PEM) approach, using the average PEM of companies deemed comparable for this entity. In	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
		30, 2018[12]			identifying comparable companies, the business activity, industry grouping and capitalization of comparable companies were considered.		
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Money Transfer PTY Limited, which operates a remittance company in Australia. The remittance business of LBC Money Transfer PTY Limited is regulated by the Australian Transaction	Total Assets: AU$1,852,772 Total Liabilities: AU$1,998,701 Total Equity: (AU$145,929) Based on its Statement of Financial Position as of November 30, 2018[13]	US$194,535.00 for 10 shares of LBC Money Transfer PTY Limited	Share Purchase Agreement was signed on June 27, 2018	The consideration is based on fair market value.. To determine the fair value, the Company used the PEM approach as described above.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.

12 LBC Aircargo (S) Pte Ltd. is not required to file its audited financial statements with regulators in Singapore.
13 LBC Money Transfer PTY Limited is not required to file its audited financial statements with regulators in Australia.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
	Reports and Analysis Centre (Austrac).						
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Express Airfreight (S) PTE. LTD., which operates as a cargo company in Singapore The operations of LBC Express Airfreight (S) PTE. LTD. are not regulated in Singapore.	Total Assets: SG$4,372,718 Total Liabilities: SG$705,328 Total Equity: SG$3,667,390 Based on its Statement of Financial Position as of November 30, 2018[14]	US$2,415,035.00 for 10,000 shares of LBC Express Airfreight (S) PTE. LTD.	Share Purchase Agreement was signed on June 27, 2018	The consideration is based on fair market value. To determine the fair value, the Company used the PEM approach as described above.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Australia PTY Limited, which operates as a cargo company in Australia The operations	Total Assets: AU$2,096,091 Total Liabilities: AU$1,334,088 Total Equity: AU$762,003 Based on its Statement of	US$1,843,149.00 for 223,500 shares in LBC Australia PTY Limited	Share Purchase Agreement was signed on June 27, 2018	The consideration is based on fair market value. To determine the fair value, the Company	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.

14 LBC Express Airfreight (S) PTE. LTD. is not required to file its audited financial statements with regulators in Singapore.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
	of LBC Australia PTY Limited are not regulated in Australia.	Financial Position as of November 30, 2018[15]			used the PEM approach as described above.		
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer)	LBC Mabuhay (Malaysia) SDN BHD, which is engaged in the business of courier services in Malaysia The operations of LBC Mabuhay (Malaysia) SDN BHD are not regulated in Malaysia.	Total Assets: RM3,166,364 Total Liabilities: RM1,133,115 Total Equity: RM2,033,249 Based on its Statement of Financial Position as of December 31, 2018	US$ 461,782.00 for 924,998 shares in LBC Mabuhay (Malaysia) SDN BHD	Share Purchase Agreement was signed on August 15, 2018	The consideration is based on fair market value. To determine the fair value, the Company used the PEM approach as described above.	Proceeds of the LBC Convertible Instrument issued to CP Briks	The transaction has been completed.
Jamal Limited (Seller) and	LBC Mabuhay (B) SDN BHD, which operates as a cargo	Total Assets: BND921,196 Total Liabilities: BND300,622 Total Equity:	US$225,965.00 for 500 shares in LBC Mabuhay (Malaysia) SDN BHD	Share Purchase Agreement was signed on October 15, 2018	The consideration is based on fair market value. To	Proceeds of the LBC Convertible Instrument issued to CP	The transaction has been completed.

[15] LBC Australia PTY Limited is not required to file its audited financial statements with regulators in Australia.

Contracting Parties	Target Company	Assets, Liabilities and Equity of Target Company as of latest financial statement available	Consideration	Relevant Dates	Basis of Valuation	Source of Fund	Status of Transaction
LBC Express Holdings, Inc. (Buyer)	company in Brunei The operations of LBC Mabuhay (B) SDN BHD are not regulated in Brunei.	BND620,574 Based on its Statement of Financial Position as of December 31, 2018			determine the fair value, the Company used the PEM approach as described above.	Briks.	
Jamal Limited (Seller) and LBC Express Holdings, Inc. (Buyer	LBC Mabuhay Remittance SDN BHD, which operates a remittance company in Brunei. The remittance business of LBC Mabuhay Remittance SDN BHD is regulated by the Autoriti Monetari Brunei Darussalam (AMBD)	Total Assets: BND2,307,277 Total Liabilities: BND521,343 Total Equity: BND1,785,934 Based on its Statement of Financial Position as of December 31, 2018	US$557,804.00 for one (1) share in LBC Mabuhay Remittance SDN BHD	Share Purchase Agreement was signed on October 15, 2018	The consideration is based on fair market value. To determine the fair value, the Company used the PEM approach as described above.	Proceeds of the LBC Convertible Instrument issued to CP Briks.	The transaction has been completed.

INDUSTRY

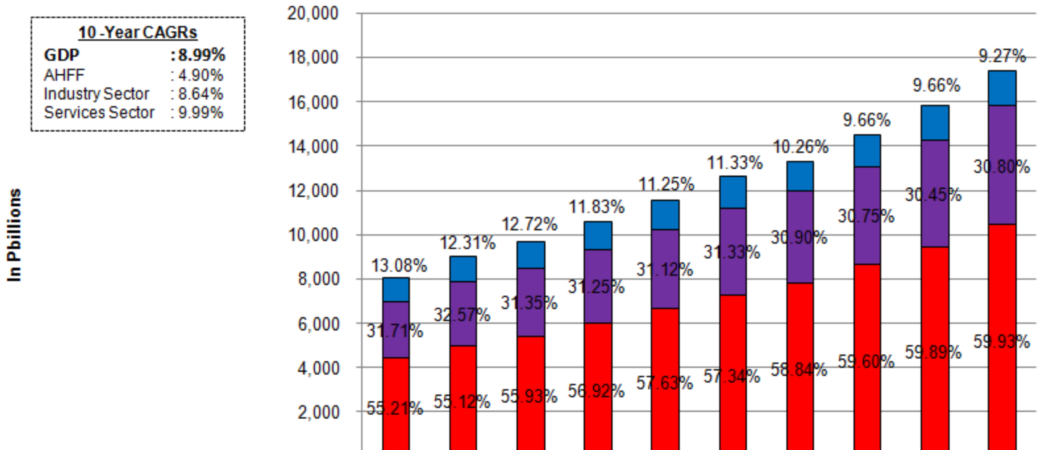
PHILIPPINE LOGISTICS INDUSTRY

Philippine Macro Economy

The Economy[16]

The Philippine Gross Domestic Product ("GDP") is primarily contributed by the service sector, accounting for 59.93% of the GDP, while the industry sector contributed 30.80%, and the agriculture, hunting, forestry, and fishing contributed 9.27%. The GDP at current prices grew at a 10-year CAGR of 8.99% from 2009 to 2018, reaching ₽17.42 trillion in 2018. The growth was broad-based as all three (3) sectors grew at 10–year CAGRs of 9.99%, 8.64%, and 4.90%, respectively. Out of the services sector, (a1) trade and repair of motor vehicles, motorcycles, personal, and household goods, (a2) real estate, renting, and business activities, (a3) other services, (a4) financial intermediation, (a5) transport, storage, and communication, and (a6) transport, storage and communication, and (a6) public administration and defense; compulsory social security contributed 30.94%, 21.37%, 16.43%, 13.97%, 9.86%, and 7.43% to its sector, respectively in 2018. On the other hand, the industry sector was comprised of (b1) manufacturing, (b2) construction, (b3) electricity, gas, and water supply, and (b4) mining & quarrying contributing 61.92%, 25.32%, 10.03%, and 2.74% to its sector, respectively.

Philippine GDP at Current Prices in ₱billion, 2009 – 2018[17]



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Hunting, Forestry, and Fishing	1,050	1,109	1,235	1,250	1,298	1,432	1,367	1,398	1,527	1,615
Industry Sector	2,545	2,932	3,043	3,300	3,590	3,959	4,116	4,452	4,813	5,367
Services Sector	4,431	4,962	5,430	6,011	6,650	7,244	7,839	8,630	9,466	10,441
Gross Domestic Product	8,026	9,003	9,708	10,561	11,538	12,634	13,322	14,480	15,806	17,423

[16] Philippine Statistics Authority
[17] Philippine Statistics Authority

External Trade[18]

The Philippines' total exports of goods grew at a 10-year CAGR of 3.24% from U.S.$49.08 billion to U.S.$67.49 billion from 2008 to 2018. This is primarily led by the exports of electronic products and devices (semiconductors) having contributed 55.67% of total exports in 2018.

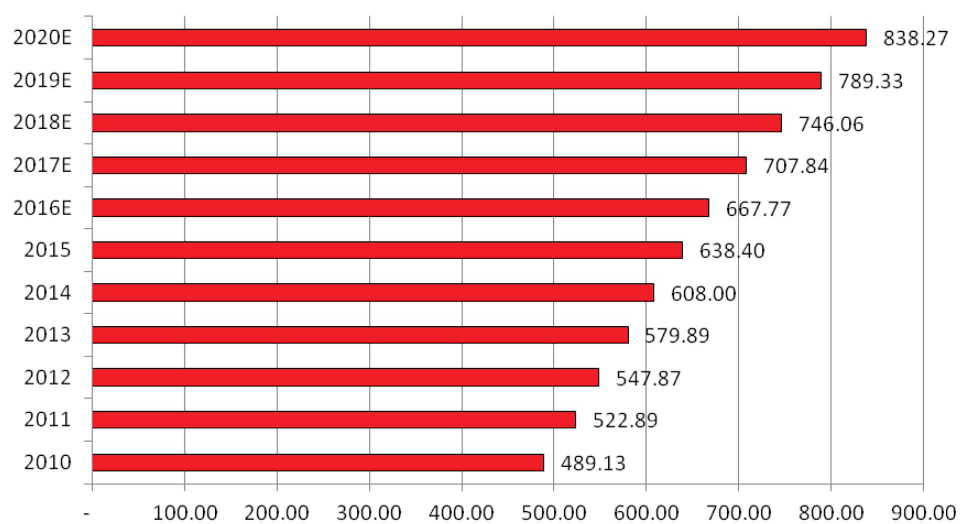
The Philippines' total imports of goods grew at a 10-year CAGR of 6.74% from U.S.$56.75 billion to U.S.$108.93 billion between 2008 and 2018. This is primarily led by the imports of semi-processed raw materials, telecommunication equipment, and durable consumer goods which contributed 34.94%, 14.20%, and 8.99% of the total imports in 2018, respectively.

Disposable Income per Household[19]

The population is estimated at 103.43 million people in 2016, growing at a CAGR of 1.70% between 2010 and 2016. It is estimated that the population will grow at rate of 1.50% between 2016 and 2020 to reach 110.0 million.

Disposable income per household in the Philippines grew from ₱489,130 in 2010 to ₱638,400 in 2015 or a CAGR of 5.50%. It is estimated that the average household income in the Philippines will increase to ₱838,270 by 2020.

Average Philippine Disposable Income per Household in ₱thousands, 2009-2020[20]

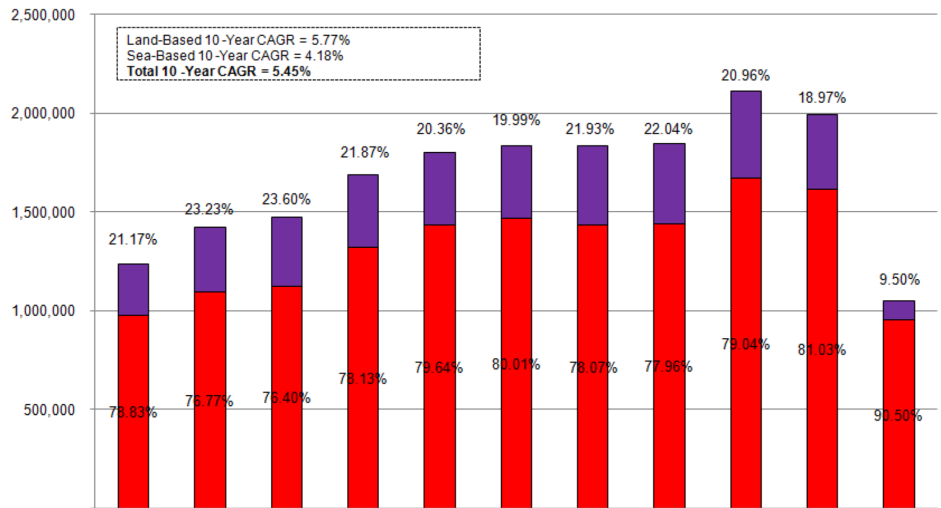


[18] Bangko Sentral ng Pilipinas
[19] Ken Research
[20] Ken Research

Overseas Filipino Workers [21]

The total number of deployed OFWs increased from 1.24 million in 2008 to 1.99 million in 2017 or a 10 –year CAGR of 5.45%. Migration of labor is a mode of movement of Filipinos to other countries because of the scarcity of jobs, inadequate income in the Philippines, and due to the demand in principally less-skilled occupations in overseas nations.

Number of Deployed OFWs by Land-Based and Sea-Based OFWs, 2012-2017 and 1H 2018[22][23]

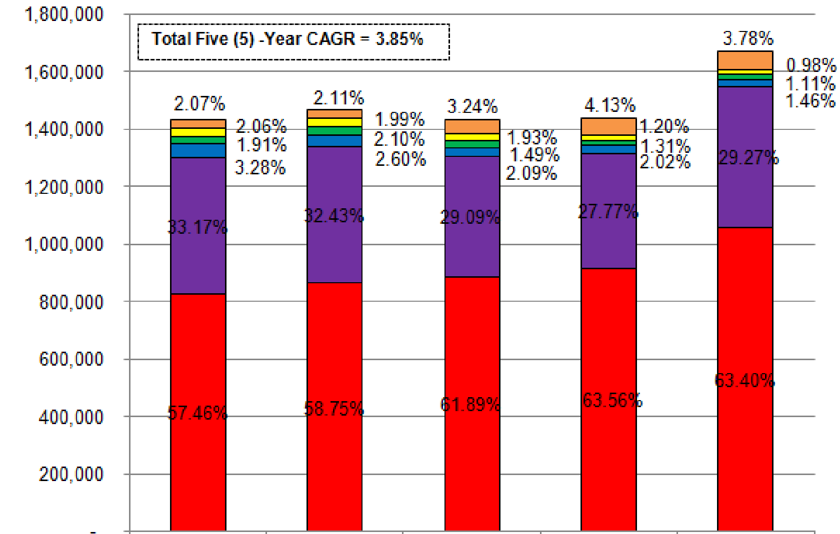


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	1st Sem 2018
Sea-Based	261,614	330,424	347,150	369,104	366,865	367,166	401,826	406,531	442,820	378,072	99,812
Land-Based	974,399	1,092,162	1,123,676	1,318,727	1,435,166	1,469,179	1,430,842	1,437,875	1,669,511	1,614,674	950,809
Total	1,236,013	1,422,586	1,470,826	1,687,831	1,802,031	1,836,345	1,832,668	1,844,406	2,112,331	1,992,746	1,050,621

Out of the deployed OFWs in 2016, the Middle East has the most OFWs at 63.40%, followed by OFWs deployed to Asia, Europe, Oceania, and the Americas at 29.27%, 1.46%, 1.11%, and 0.98%, respectively. Moreover, the Middle East has the fastest growing OFW deployment at a five (5) –year CAGR of 6.42%.

[21] Philippine Overseas Employment Administration
[22] Philippine Overseas Employment Administration
[23] 1st Semester 2018 OFW values are still preliminary

Number of Deployed Land-Based OFWs by Origin, 2012-2016[24][25]



	2012	2013	2014	2015	2016
Others	29,729	30,973	46,319	59,443	63,160
Americas	29,553	29,191	27,615	17,234	16,315
Oceania	27,391	31,237	21,311	18,850	18,488
Europe	47,070	38,204	29,950	29,029	24,419
Asia	476,021	476,422	420,106	399,361	488,615
Middle East	825,402	863,152	885,541	913,958	1,058,514
Total	1,435,166	1,469,179	1,430,842	1,437,875	1,669,511

The growth of the OFW deployment to the Americas may drastically be hampered in 2019. In January 2019, the United States Department of Homeland Security (DHS) issued a notice stating that the Philippines will no longer be eligible to participate in the H-2A and H-2B programs for the duration of the temporary ban, which is in effect from January 19, 2019 to January 18, 2020. The DHS and stated that they are concerned about the high volume of trafficking victims from the Philippines who were originally issued H-2B visas and the potential that continued H-2B visa issuance may encourage or serve as an avenue for future human trafficking from the Philippines. The H-2A visas are given to foreign agricultural workers in the US, while the H-2B visas are granted to non-agricultural workers.

e-Commerce[26]

e-Commerce in the context of Logistics covers purchases and sales conducted over computer network (such as the internet) using various devices. It involved virtual goods (e.g. video games) and services and both domestic and cross-border sales. It mainly refers to commercial transactions among Business to Businesses (B2B), between Businesses to Consumers (B2C), and Customers to Customers (C2C). Payment and delivery may be handled offline or online.[27]

Cross-border shopping is becoming increasingly popular worldwide, creating a growing demand for added transportation to handle the rising number of shipments entering countries from abroad. New solutions for final-mile delivery have also become popular as a way of ensuring the last mile delivery is handled as efficiency as

[24] Philippine Overseas Employment Administration
[25] "Others" is comprised of OFWs deployed in Africa, Trust Territories, and Not Classified.
[26] Ken Research
[27] Contribution to the UNCTAD Draft Call for Action on the Aid for eTrade Initiative

possible. Shippers are also offering improved tracking options and more advanced solutions for global returns management.[28]

As the growth of cross-border e-Commerce explodes, demand will increase on the logistics industry for solutions that offer faster delivery at more reasonable costs. Retailers will also need to improve the efficiency of their warehousing operations via automation, or by outsourcing fulfilment to provide that already have this expertise in place.

In 2015, Asia-Pacific was the strongest B2C e-Commerce region in the world. China led the increase last year with U.S.$766.6 billion, followed by U.S with U.S.$595.10 billion and U.K with U.S.$174.50 billion. Together, these three (3) countries accounted for 68.00% of the total global B2C e-Commerce turnover in 2015.

In 2015, the global population amounted to around 7.30 billion people, of which 1.40 billion people purchased goods and/or services online at least once. In total, U.S.$2.27 trillion online, which results in an average spending per e-shopper of U.S.$1,582.

e-Commerce Turnover of the Global Regions, 2014-2015[29]

Region	2014	2015	YoY%
Asia-Pacific	822.80	1,056.80	28.44%
North America	572.50	644.00	12.49%
Europe	446.00	505.10	13.25%
Latin America	25.80	33.00	27.91%
Middle East and North Africa	21.70	25.80	18.89%
World	**1,895.30**	**2,272.70**	**19.91%**

e-Commerce in the Philippines[30]

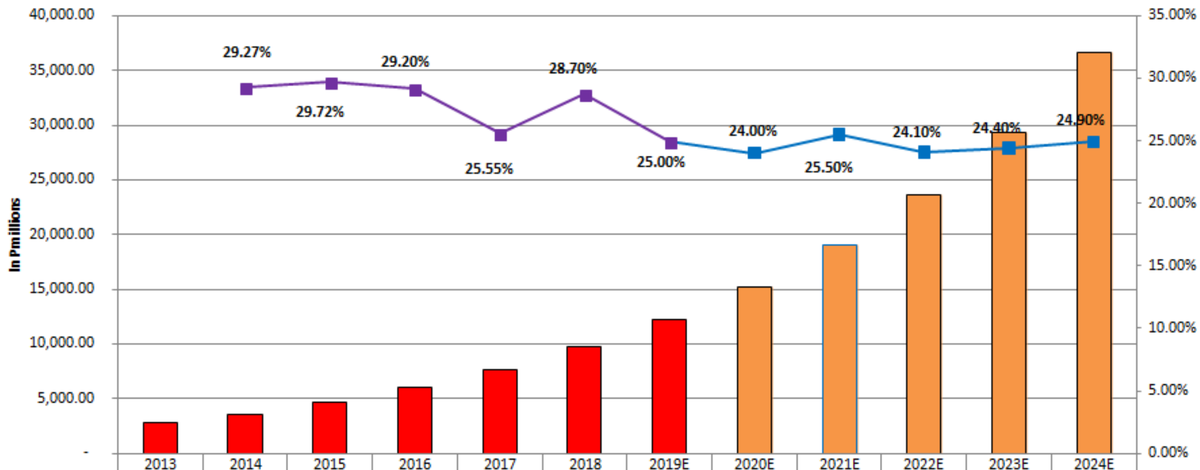
The Philippine e-Commerce logistics segment has witnessed a moderate rise over the past six (6) years with an increase in the number of smart phones and internet penetration in country. The growth in the e-Commerce orders for logistics was driven by an increase in internet affinity and demand for value-added services. In addition, various logistics service providers offer additional services and discounts for online orders as they help in the reduction of additional management processes. Over the forecast period, the Philippines e-Commerce logistics segment is expected to drive up the demand because of expected surge in internet penetration, especially its exposure to the youth.

The Philippine e-Commerce logistics market revenues increased from ₱2.79 billion in 2013 to ₱9.77 billion in 2018 or a CAGR of 28.48%. The growth was primarily been driven by the expansion in internet services. Other drivers of growth include: (1) increasing demand for online logistics services, (2) increasing usage of advanced mobile applications, and (3) deals and alliances of the country's leading conglomerates.

Moving forward, the Philippine e-Commerce logistics market is anticipated to grow from ₱12.21 billion in 2019 to ₱36.63 billion in 2024 or a CAGR of 24.58% mainly due to: (1) the rising internet penetration, (2) increasing number of distribution centers in Tier 2 and Tier 3 cities, and (3) companies' shift in focus towards customer engagement.

28 Global B2C E-commerce Report
29 Ken Research
30 Ken Research

Philippine e-Commerce Logistics Market and Future Projections by Revenues in ₱millions, 2013-2018 and 2019E-2024E[31]

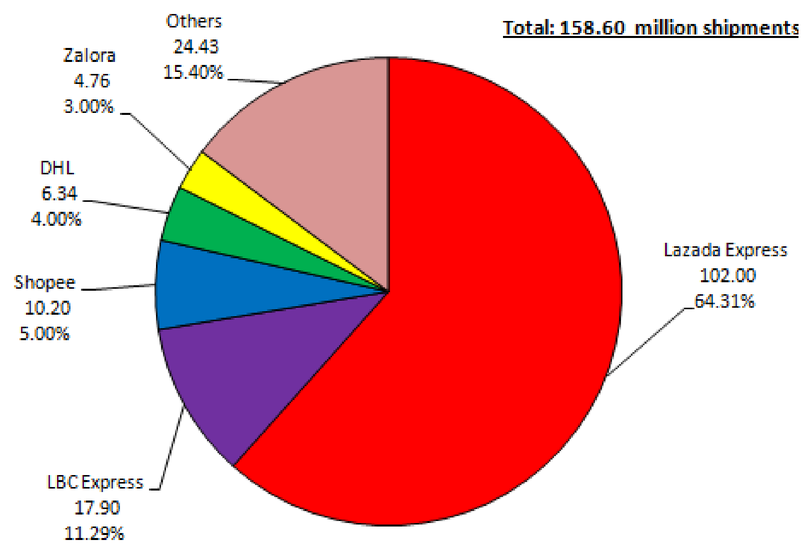


	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenue	2,789.80	3,606.37	4,678.19	6,044.22	7,588.52	9,766.42	12,208.03	15,137.95	18,998.13	23,576.68	29,329.39	36,632.41
Growth Rate		29.27%	29.72%	29.20%	25.55%	28.70%	25.00%	24.00%	25.50%	24.10%	24.40%	24.90%

Philippine e-Commerce Logistics Key Players[32]

The Philippine e-Commerce logistics market competition was observed to be highly concentrated with the presence of major players such as Lazada Express, LBC Express, Shoppee, DHL, and Zalora covering around 87.60% of the market share in 2018. These companies competed on parameters such as shipping points, coverage area, delivery assistance (last mile) and payment collection medium. Other Philippine e-Commerce logistics providers/companies include JSI Philippines, Yusen Logistics, and All Transport Network Logistics.

Philippine e-Commerce Logistics Market Share by Number of Shipments in millions, 2018[33]



[31] Ken Research
[32] Ken Research
[33] Ken Research

The Express Delivery Sector

Philippines Drivers and Trends[34]

Focused Investments in Infrastructure

The expansion of the domestic economy has accelerated infrastructural developments in the country to support logistics and freight forwarding services which form an essential part of the Filipino economy. An increase in volume of traded goods has led to the development of new and advanced infrastructural facilities that has acted as a crucial requirement in the supply chain solutions. Moreover, companies in this sector have begun to focus upon premium delivery services which have gained substantial popularity in the country. Such a development has led to heightened focus of investments in infrastructural facilities such as transportation and storage.

Amplified Demand from Middle Class

The rise of the middle-class population in the country has contributed to the expansion of the express delivery market because of the higher volume of orders. It has been observed that those who are categorized under the middle class social bracket in the Philippines that have created a high demand for express delivery services. The middle class Filipino population has been willing to pay a premium for secure and time saving services in comparison to normal logistics and freight forwarding services. The rise in personal disposable incomes of this segment of the population, which constituted approximately 27.0% of the total population in 2015, has given opportunity for growth of the express delivery market in the Philippines.

Rise in Trade Volumes

The rise in personal disposable incomes of the middle-class population in the Philippines has resulted in a higher demand for goods in the domestic market. Such trends in the Philippines have driven trade flows and the growth in the express delivery market. In the year 2017, the Philippines registered imports worth ₱5.06 trillion whereas exports stood at ₱2.77 trillion. The rise in cargo traffic has driven customers to shift form general logistics and freight forwarding services to express delivery services. One of the major reasons for the shift in consumer preference has been the time-efficiency of express delivery. Thus, the number of people who opt for express delivery services in order to transport goods at a faster rate has risen.

Expansion of e-Commerce Industry

The e-commerce industry in the Philippines has grown significantly in recent years. The increased penetration of digital systems in the country has bolstered the sales through ecommerce portals. Hence, the rise in competition in the ecommerce space has prompted organizations to provide faster delivery options to their customers in order to gain a competitive edge in the market. This has in turn generated the requirement of express delivery services. From an estimated U.S.$65.8 million revenue in 2013, the e-commerce logistics segment of the Philippine logistics industry generated U.S.$185.4 million in. This is further expected to increase to 2018 and is expected to reach U.S.$700.0 million in 2024.[35] With an increase in number of ecommerce companies in the country, express delivery services have registered a higher demand from customers.

Barriers to Entry[36]

[34] Ken Research
[35] Ken Research
[36] Ken Research

Lack of Infrastructure Development

The major challenge confronting express delivery services has been slow pace of infrastructure development. The growth of infrastructural facilities has not been able to keep up with the swift expansion in the logistics and freight forwarding sector. This lack of infrastructural support has marred the expansion of the logistics industry in the Philippines.

High Upfront Capital Required

Another factor that has restricted the entry of a new player has been the capital required to operate in the express delivery market. The express delivery market has required additional resources such as robust inventory management systems, quick response teams and highly organized delivery systems. In order to obtain these assets, the capital required is higher than that in general logistics and freight forwarding services. It has been observed that organizations first cater to the logistics and freight forwarding sector and then gradually develop express delivery services in the Philippines.

Government Regulations

Government regulations have restricted international express delivery companies by requiring collaborations with local players in order to operate in the domestic market. This law has thus hindered the growth of international players in the local Filipino market. In the coming years, it is expected that the Philippines will witness an escalation in express delivery services with the increase in trade volume. More players will look forward to cornering a larger share in the express delivery market through competitive pricing, diversification of services, effective management systems and faster delivery times.

Express Delivery Segments and Competition

Domestic Express[37]

Express delivery comprises of services for documents, mails, parcels, and couriers at a premium price for faster delivery times. The domestic express consists of express delivery services which cater to shipments only within the geographic region of the Philippines.

2Go, Air21, Fast Cargo, JRS, LBC Express and PHL Post, and have been a few of the prominent names in the domestic express delivery market.

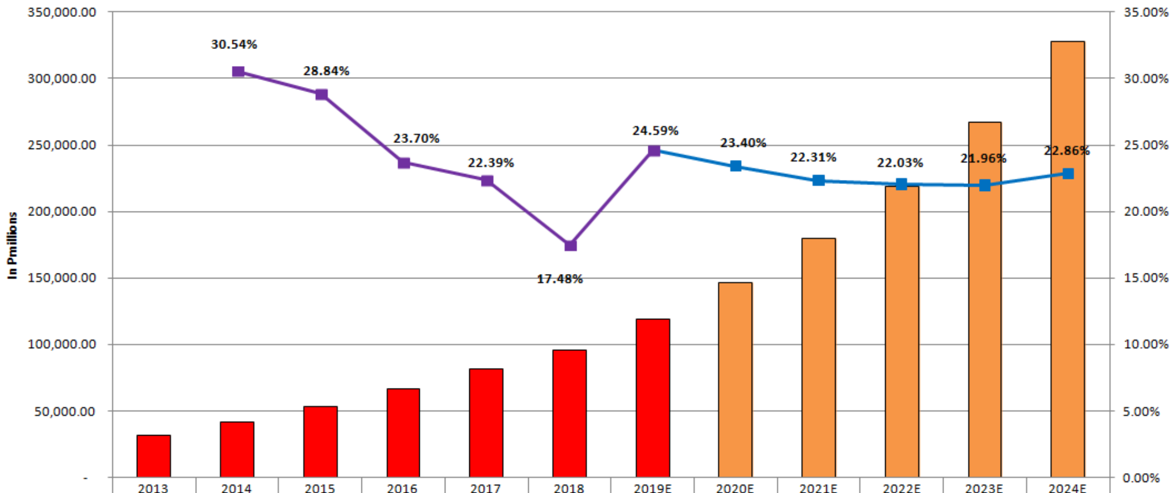
The express delivery companies have created a door to door linkage across domestic and international markets and have developed advanced shipment tracking facilities to cater to time-sensitive needs of the logistics industry. The express delivery segment has been considered as a crucial segment of the Philippine logistics industry as they are utilized for faster delivery of shipment in comparison to general services. The geographical location of the Philippines has aided the overall growth due to the good connectivity with the Asia Pacific countries. The services provided by express delivery companies such as: (1) guaranteed delivery services, (2) door to door delivery, (4) track orders and (5) others have strengthened the growth of the express delivery segment will continue to drive the demand for express deliver services in the near future.

The Philippine Express Delivery market grew from ₱31.89 billion in 2013 to ₱95.40 billion in 2018 or a CAGR of 24.50% due to: (1) the gradual shift of the population from retail shopping to online shopping of electronic items, (2) high internet penetration, (3) daily grocery needs, (4) apparels, and (5) others. Moving forward, the

[37] Ken Research

Philippine express delivery market is anticipated to grow from ₱118.86 billion in 2019 to ₱328.04 billion in 2024 or a CAGR of 22.51% mainly driven by: (1) the government initiatives (‘Build, Build, Build’), (2) infrastructure projects, and (3) increasing use of IT in express delivery services.

Philippine Express Delivery Market and Future Projections by Revenues in ₱millions, 2013-2018 and 2019E-2024[38]



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	31,890.40	41,629.80	53,636.10	66,350.08	81,203.97	95,397.34	118,855.70	146,668.11	179,392.78	218,919.53	267,000.68	328,036.46
Growth Rate		30.54%	28.84%	23.70%	22.39%	17.48%	24.59%	23.40%	22.31%	22.03%	21.96%	22.86%

Philippine Express Delivery Key Players

2Go, Air21, Fast Cargo, JRS, LBC Express and PHL Post, and have been a few of the prominent names in the domestic express delivery market.

38 Ken Research

Domestic Express Delivery Players[39]

Company	Description

2GO group.inc.
2GO Express, Inc.
	• 2Go was incorporated on May 26, 1949.
	• 2Go is under the Udenna Group.
	• Through its subsidiaries, 2GO provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines.
	  ○ Under the logistics group, 2Go offers express and last mile package deliveries both domestic and abroad.
	  ○ 2Go has over 700 outlets nationwide providing express delivery, airline and sea travel ticketing, and money remittance services.

AIR21 Airfreight 2100	• Air21 was incorporated on July 9, 1979. • Air21 is owned by Jaime J. Bautista et. al. • Air21 is in the business of freight forwarding of parcels, packages, cargos, either by sea or by air. ○ Air21 has over 97 business hubs nationwide
FAST LOGISTICS One Name. End to End. Fast Cargo Logistics Group	• Fast Cargo was incorporated in 1976. • Fast Cargo is primarily owned by the Chiongbian family. • Fast Cargo, through its subsidiaries, provide a high level of service integration comprised of air freight, sea freight, inland freight, courier express, warehouse leasing, warehouse management, trucking, toll packing, and selling distribution to multinational clientelles. ○ Fast Cargo has over 42 offices nationwide.

JRS EXPRESS
JRS Business Corporation
	• JRS was incorporated on June 19, 1960.
	• JRS is primarily owned by the Claparols family.
	• JRS is a leader in express delivery service as well as other value-added logistics services to consumers and business.
	  ○ JRS offers express delivery services both domestic and abroad.
	  ○ JRS has over 400 branches nationwide.

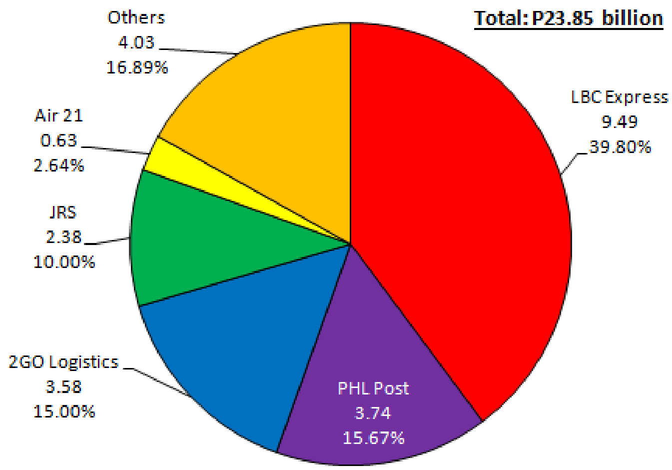
LEX Lazadaexpress Lazada Express	• Lazada Express serves as the courier service provider exclusively to Lazada. • The Lazada Group is a Southeast Asian e-commerce company owned by the Alibaba Group. ○ Lazada operates through online platforms via website and mobile application.
LBC LBC Express, Inc.	• LBC Express was incorporated in the 1950s. • LBC Express is primarily owned by the Araneta Family. • LBC Express is a leading provider of courier and freight forwarding services, as well as a leading non-bank provider of domestic remittance services and inbound international remittances services in the Philippines. ○ LBC Express has over 100 delivery hubs and 14 distribution centers in the country for delivery and shipping needs and a consolidated 3,000 branches for remittances.
ninja van Ninja Van	• Ninja Van was founded in Singapore in 2014 and was launched in the Philippines in 2016. • It is also present in other South East Asian countries like also operates in Malaysia, Indonesia, Vietnam and Thailand. • Ninja Van is owned by a Singaporean firm. • It is accessed through the mobile application platform.

[39] Company Websites

Company	Description
PHLPOST You Send. We Deliver. Philippine Postal Corporation	• PHL Post is a government controlled corporation incorporated in 1992 with its first office established in 1767. • PHL Post is in the business of freight forwarding and delivery, warehousing services, and value added logistics. ○ PHL Post has over 1,309 post offices nationwide, 58 country partners for express mail services, and more than 200 countries for letter and parcel post services.

LBC Express dominated the express delivery market with a revenue share of 39.80% in the year 2018 through its strategic approach towards the growth of express delivery service business. In the year 2012, Lazada, one (1) of the leading online shopping sites, partnered with LBC Express. This partnership has attracted a number of customers since it has given them an option of paying cash upon the delivery of the item, leading to an increase in the shipments of LBC Express.

Philippine Domestic Express Delivery Market Share by Revenues in ₱billions, 2018[40]



Philippine Express Same Day On-Demand Last Mile Delivery Players

Angkas, Cliqnship, GoMoto, Grab Express, iSend, and Lalamove are a few startups engaging in the same day on-demand express delivery services.

Same Day On-Demand Last Mile Delivery Players[41]

Company	Description
ANGKAS	• Angkas was incorporated on May 26, 2016. • It is owned by Angeline Tham (Singaporean). • Angkas provides ride-hailing and same-day delivery services through its mobile application. • Its coverage is limited to Metro Manila.

[40] Ken Research
[41] Company Websites

Company	Description
Angkas	
Cliqnship	• Cliqnship was incorporated on October 10, 2011. • It is owned by the Lau Family. • Cliqnship is accessed online through its own website (eCommerce).
GoMoto	• GoMoto was incorporated on March 11, 2016. • It is accessed through its mobile application platform. • GoMoto is owned by Nicholson Co Santos, Harold Co Santos, and Johnson Chua Tan. • Its coverage is limited to Metro Manila.
Grab Express	• Grab Express was incorporated on November 12, 2015. • It is owned by GrabTaxi Holdings Pte. Ltd. (Singapore) • Grab Express is accessed through its Grab mobile application platform. • Its coverage includes Metro Manila and Cebu.
iSend	• iSend was Rush before being acquired by iSend Delivery Service in 2017. • It is accessed through its mobile application platform. • iSend's coverage includes Metro Manila and some parts of the Rizal province.
Lalamove	• Lalamove was incorporated on November 15, 2016. • It is owned by Houlala Global Investment Limited (Cayman Islands). • Lalamove provides express delivery of documents via motorcycle/UV/Large UV. • It is accessed through its own mobile application platform.

Geographical Coverage[42]

The logistics companies also compete through geographical coverage. The Philippines, being an archipelago, is comprised of three (3) major islands and still quite many smaller islands where many are not properly connected by bridges or even roll-on, roll-off services. The companies can bank on the opportunity of these relatively untapped regions to improve their presence across the country. Several cities have been eyed by the government and several private companies to improve infrastructure through Public-Private Partnership (PPP) and the Build, Build, Build program in light of the congestion being experienced in major cities.

RA No. 7354 Article II Section 5 provides one (1) of the responsibilities of the post office is to plan, develop, promote, and operate a nationwide postal system (or at least an ordinary mail service) with a network that extends, or at least makes available, to any settlements in the country.[43]

In terms of number of outlets for domestic express delivery, LBC Express has the most number of branches at 1,397 owned branches, followed by PHL Post with 1,090 branches, 2Go Express with 741 branches, and JRS with 422 branches.[44]

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[42] Ken Research
[43] Company Website
[44] Respective Company Websites

Domestic Express Delivery Geographical Coverage of Competitors[45]

Region	LBC	2Go	JRS	Air21	Fast Cargo	PHL Post
NCR	412	204	79	15	8	92
Region I	49	20	17	8	-	102
CAR	14	11	8	3	-	45
Region II	30	9	16	3	2	61
Region III	150	69	40	12	2	132
Region IV-A	217	102	44	13	5	144
MIMAROPA	30	18	19	5	1	39
Region V	45	9	23	6	1	81
Region VI	93	37	32	6	4	49
Region VII	119	58	36	7	7	105
Region VIII	36	18	16	2	8	72
Region IX	26	11	15	4	1	31
Region X	49	25	20	4	2	70
Region XI	62	132	18	3	1	12
Region XII	30	16	14	4	3	2
Region XIII	23	2	15	2	1	23
ARMM	12	-	5	1	1	15
Total	**1,397**	**741**	**422**	**99**	**47**	**1,090**

Pricing Analysis

Pricing Analysis of Document Shipments through Domestic Express Delivery Services[46]

Company Name	Small Size (Up to 0.5 kg)	Medium Size (Up to 2.0 kg)	Large Size (Up to 3.0 kg)
2Go Logistics	₱60.00	₱145.00	₱180.00
Air21	₱140.00	₱195.00	₱195.00
Fast Cargo Logistics	₱95.00	₱130.00	₱160.00
JRS Express	₱109.00	₱111.00	₱218.00
LBC Express	₱127.00	₱197.00	₱318.00
PHL Post	₱80.00	₱100.00	₱150.00

Pricing Analysis of Boxes through Domestic Express Delivery Services[47]

Company Name	Small Size (Up to 5.0 kg)	Medium Size (Up to 10.0 kg)	Large Size (Up to 20.0 kg)
2Go Logistics	₱490.00	₱950.00	₱1,850.00
Air21	₱649.00	₱974.00	₱1,534.00
Fast Cargo Logistics	₱250.00	₱350.00	₱600.00
JRS Express	₱436.00	₱981.00	₱2,071.00
LBC Express	₱540.00	₱1,015.00	₱1,915
PHL Post	₱435.00	₱700.00	₱1,350

45 Respective Company Websites
46 Company Inquiries
47 Company Inquiries

Pricing Analysis of Cargo Shipments through Domestic Express Delivery Services[48]

Company Name	Basic Charges (for first 20kg)	Additional Charges per kg
2Go Logistics	₱1,850.00	₱95.00
Air21	₱1,534.00	₱30.00
Fast Cargo Logistics	₱700*	₱38.00
JRS Express	₱2,071.00	₱109.00
LBC Express	₱1,915.00	₱205.00
PHL Post	₱1,350.00	₱80.00

**for first 3.0 kg*
***for succeeding half kg*

International Express Market

The international express delivery market in the Philippines is dominated by four key global players, namely DHL, Fed Ex, TNT and UPS. The express services offered by these companies include time definite shipment of parcels and documents to various countries across the world.

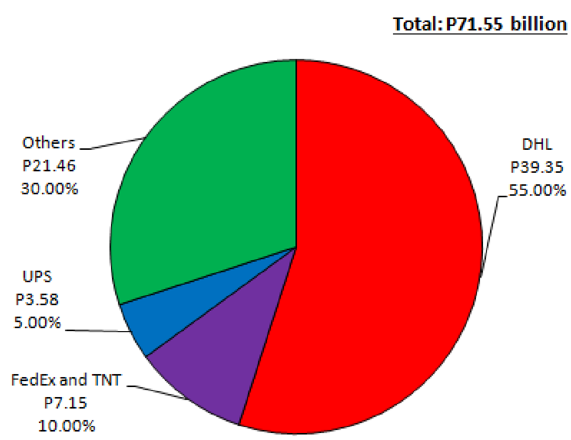
International Express Delivery Players[49][50]

48 Company Inquiries
49 Company Websites
50 Bloomberg

Company	Description
DHL Express	• DHL was founded in 1969 with the business of providing international express, air and ocean freight, road and rail transportation, contract logistics, warehousing and distribution, and international mail services to customers worldwide. ○ The express services segment includes shipping, tracking, export, import, optional, and small business solutions. ○ The logistics services include freight transportation, warehousing and distribution, customs, security and insurance, and supply chain solutions.
FedEx Corp.	• FedEx was incorporated on October 2, 1997 is engaged in the business of transportation, • e-Commerce, and express delivery. ○ Under FedEx Express, the company offers ocean and air freight forwarding services, ground delivery, international express, and deferred package delivery to over 220 countries and territories with a range of time-definite deliveries within one (1), two (2), or three (3) business days across the globe.
TNT Express	• TNT Express was established in 1946 and provides courier, express and parcel services. The Company collects, transports, and delivers documents, parcels and palletized freight. ○ TNT operates road and air transportation networks in Brazil, Chile, Argentina, Australia, New Zealand, Europe, Asia, the Middle East and Africa • TNT Express operates as a subsidiary of FedEx Corporation.
United Parcel Service, Inc.	• UPS was established in 1907 and operates through three segments, namely U.S. Domestic Package, International Package, and Supply Chain & Freight. ○ The Domestic Package segment offers time-definite delivery of small packages through air and ground services in the Unites States. ○ The International Package segment provides guaranteed day and time-definite international shipping services worldwide. ○ The Supply Chain and Freight segment provides international air and ocean freight forwarding.

DHL Express dominated the international express delivery market with a revenue share of 55.00% in 2018, followed by FedEx and TNT at 10.00%, and UPS at 5.00%.

Philippine International Express Delivery Market Share by Revenues in ₱billions, 2018[51]



[51] Ken Research

International Partnerships[52]

International players have also entered into the local Filipino market via a number of collaborations with domestic companies including LBC Express with DHL, PHL Post with DHL, and FedEx with 2Go. This has increased competition but also helped in the inception of global technology and processes that can help improve the value chain of the Philippines domestic express delivery market.

Local Delivery Partnerships of International Express Delivery Companies in the Philippines, 2015[53]

International Company	Domestic Company	Start of Partnership	Key Facts
DHL	PHL Post	2013	• DHL is offering its time-definite deliveries at 12 PHL Post Locations • Since the partnership, DHL also caters to packages covered by PHL Post's EMS Service, but which are too heavy for the EMS service
DHL	LBC Express	-	• DHL has also forged a strategic alliance with LBC to process and manage in-bound shipments from foreign nations
FedEx	2Go	2014	• FedEx has expanded its retail network through alliance with 2GoLogistics • Customers can process shipments through FedEx Authorized Ship Centers which have been established at 176 2Go Express outlets • FedEx has also utilized the Universal Storefront Services Corporation Outlets (USSC), a one stop service shop specializing in money transfer, transport ticketing, and payment collection, among others. to provide its services in the local Filipino market
UPS	2Go	2009	• This partnership provides 2Go customers venues to send letters, parcels, etc. to more than 200 countries and territories where UPS has presence • Services such as UPS Worldwide Express, UPS Worldwide Express Plus, UPS Worldwide Express Saver, and UPS Worldwide Expedited are now available to 2Go customers in the Philippines

Balikbayan Box Market[54]

Balikbayan Boxes are ridged container boxes that contain various goods sent by OFWs, also known as "Balikbayans" to the homeland. These boxes form part of the Filipino tradition in which people who attained improved living conditions and stronger financial platforms share their wealth with their fellow Filipinos. Balikbayan Boxes have been majorly standardized into three (3) sizes, namely, medium (18x16x18 inches), large (18x18x24 inches), and extra large (24x18x24 inches), and confined to certain dimensions to obtain better packaging and easier logistics services.

OFWs generally use the Balikbayan box service offered by foreign sea freight forwarders for sending their Balikbayan boxes to their relatives in the Philippines. These foreign consolidators offer door-to-door services to the OFWs and collect the charges from them for the service. These charges include the fees for a shipping line (carrier), terminal storage, duties and taxes from the Bureau of Customs, and the accredited Philippine local freight forwarder. It has been observed that the major countries from which the majority of the Balikbayan boxes are sent includes Middle East (Saudi Arabia, UAE, Kuwait and Qatar), the US, Hong Kong, Singapore, Italy, the UK, Korea and Taiwan.

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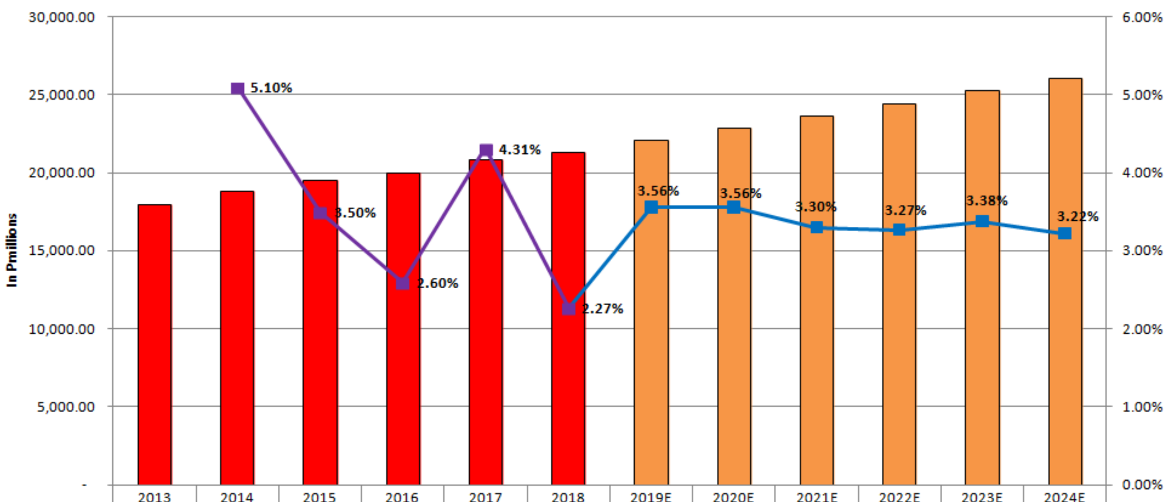
With more than 10.0 million Filipinos deployed in foreign nations, the total value of Balikbayan Boxes shipped to the Philippines increased from ₱17.90 billion in 2013 to ₱21.32 billion in 2018 or a CAGR of 3.55%. The relatively slow growth was caused by the global economic recessions and delayed shipments.

Moving forward, the market of Philippine Balikbayan Boxes market is still expected to continue growing at about the same rate despite the emergence of new players. It is anticipated that the market will grow from ₱22.08 billion in 2019 to ₱26.02 billion in 2024 or a CAGR of 3.35%.

Despite of the positive trends observed in the Philippines Balikbayan Box market, it must also be noted that the segment is likely to face specific hurdles such as robust growth in e-Commerce, which is competing with Balikbayan Boxes as people prefer to send gifts online.

Additionally, the rate of infrastructure development has lagged the expansion of the logistics and freight forwarding industry. This has reduced the pace of development which has resulted in backlogs. The ports of Philippines have been clogged with unattended shipments, which require customers and security clearances.

Philippine Balikbayan Box Market and Future Projection Size by Revenues in ₱millions, 2013-2018 and 2019E-2024E[55]



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	17,902.75	18,815.79	19,474.34	19,980.68	20,842.11	21,315.79	22,075.49	22,860.93	23,615.58	24,387.30	25,211.38	26,024.14
Growth Rate		5.10%	3.50%	2.60%	4.31%	2.27%	3.56%	3.56%	3.30%	3.27%	3.38%	3.22%

Balikbayan Box Market Key Players[56]

LBC has been the most preferred cargo company for the delivery of Balikbayan boxes to the Philippines due to high quality of their services, and relatively lower prices as compared to other service providers. The second position in the market was held by Jolly B Box, which accounted for approximately 13.90% of the overall Balikbayan Box market in 2015. Jolly B Box was followed by Forex Cargo and Afreight Phils, which contributed 9.30% and 8.50% to the market in terms of revenues. Other players such as JRS, Pombato, Tagalog, Manila Forwarder, and many more, collectively registered 49.00% revenue share in the year 2015. Major

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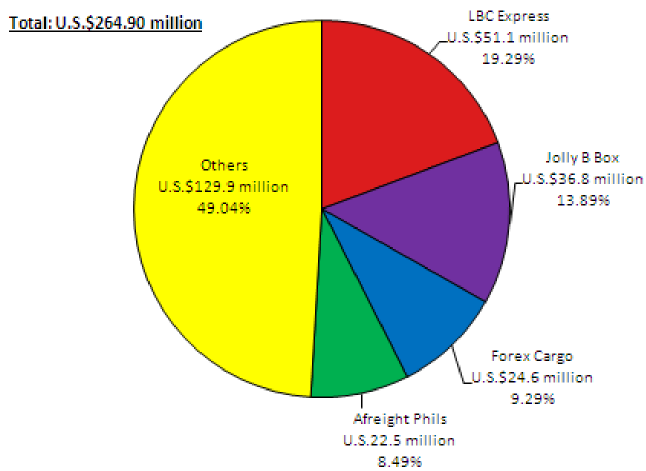
shipments of Balikbayan boxes have been observed to originate from the Middle East and the United States of America.[57]

Philippine Balikbayan Box Market Share by Revenues in U.S.$millions, 2015[58]



Logistics, Forwarding and Warehousing Markets[59]

The logistics market enables the overall movement of goods in the country. It comprises of management of cargo flow. The logistics industry offers three main services for customers; which include, warehousing, freight forwarding and value added services. In the logistics industry, warehousing involves materials handling and storing these in storage facilities whereas freight forwarding includes the movement of goods from one point to another. On the other hand, value added services which include packaging, material handling, inventory management and security have been considered as special customer services. The revenue generated in the logistics industry has been calculated by summing up the revenues generated in the individual segments. The earnings made in this market are based on retail price of services.
The Philippine overall logistics market grew from ₱404.3 billion in 2013 to ₱623.51 billion in 2018 or a CAGR of 9.07% due to the expansion of industrial activities of the logistics market and increase in container freight traffic. Other growth drivers included (1) rising trade activities, (2) rising e-Commerce activities, and (3) the growth in the Balikbayan Box market.

The Philippine overall logistics market is expected to grow from ₱682.43 billion in 2019 to ₱1.01 trillion in 2024 or a CAGR of 8.22% driven by (1) government initiatives ('Build, Build, Build'), (2) growth of multi-national corporation, (3) growth of the e-Commerce market, and (4) organic sector growth. In 2019-2024, the logistics companies are expected to invest on advanced technology solutions and new technology services such as autonomous logistics, real-time tracking, automation and robotics, among others.

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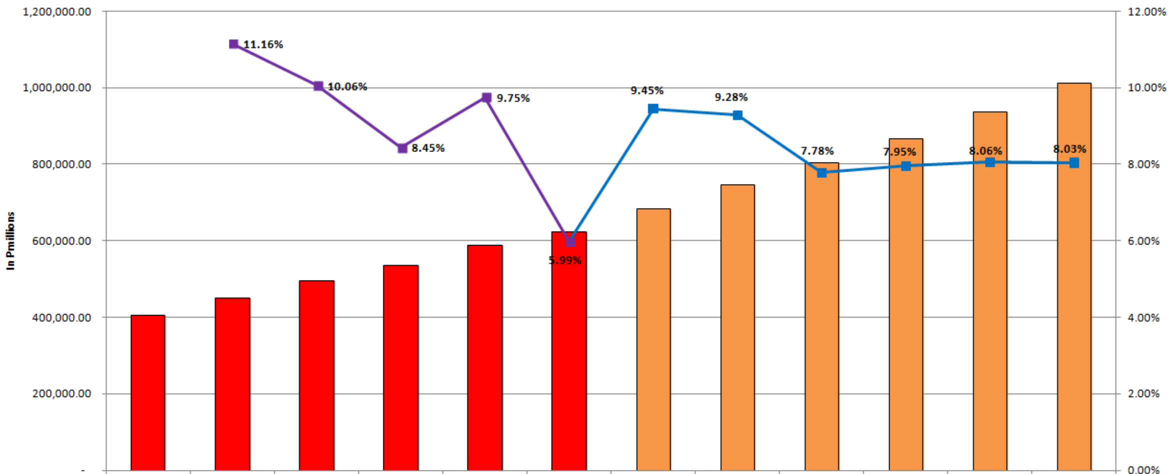
[57] Ken Research
[58] Ken Research
[59] Ken Research

Philippine Overall Market and Future Projections by Revenues in ₱millions, 2013-2018 and 2019E-2024E[60]



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	404,022.00	449,100.00	494,266.00	536,007.00	588,286.00	623,512.00	682,426.22	745,770.78	803,775.89	867,696.29	937,617.69	1,012,952.80
Growth Rate		11.16%	10.06%	8.45%	9.75%	5.99%	9.45%	9.28%	7.78%	7.95%	8.06%	8.03%

General Corporate Logistics Sector[61]

The express delivery and logistics market of the Philippines cater to B2B, B2C, C2C clients. The market has been dominated by the B2B customers with a share of 48.00% followed by C2C at 37.00%, and B2C at 15.00% in 2018. B2B customers mainly include corporate clients which require efficient movement of goods within and outside the country. The B2B segment consists of the industrial sector clients such as those belonging to automotive and transport equipments, retail, pharmaceuticals, industrial and engineering, and life sciences and healthcare. It has been observed that the B2B clients in the express and logistics market of the country are mostly served by the international players such as Fed Ex, DHL, Nippon Express, TNT Express, UPS and other key international companies. This dominance of the international players in the B2B segment of the industry is due to the wide range of services offered by these players to the business customers. Additionally, international players have a widespread network in all the major countries in the world.

Freight Forwarding Sector[62]

Freight forwarding companies form the link between suppliers and consumers. The major goods carried by freight forwarders in the Philippines include construction material, electronics, automotives and others. The growth in demand of freight forwarding services in the country has facilitated the ingress of multinational companies. Moreover, the steady increase in trade volumes in the past five years has supported the elevation of freight forwarding sector.

Freight forwards act as an intermediate link between the sender and the receiver. The major types of goods carried by freight forwarders in the Philippines include construction material, vessels, agricultural produce, machinery, electronic products, pharmaceuticals, and many others.

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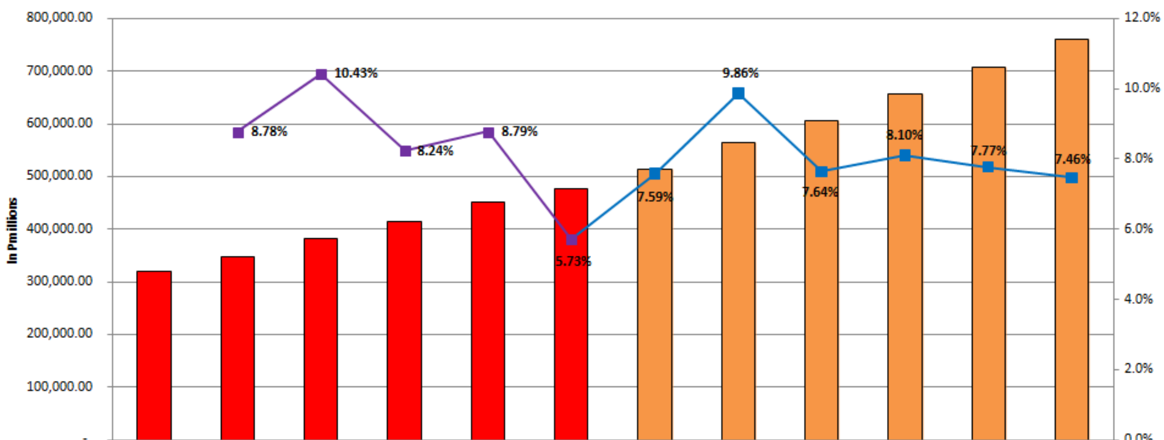
[61] Ken Research
[62] Ken Research

The Philippine freight forwarding market grew from ₱318.90 billion in 2013 to ₱476.99 billion in 2018 or a CAGR of 8.39% due to (1) surging inputs, (2) growing e-commerce industry, and (3) the rapid growth in the country's manufacturing sector.

The Philippine freight forwarding market is expected to grow from ₱513.18 billion in 2019 to ₱759.71 billion in 2024 or a CAGR of 8.16% mainly driven by (1) government initiatives ('Build, Build, Build'), (2) development of transport infrastructure, (3) entry of foreign players, (4) rising trade activities, and (5) investments.

Philippine Freight Forwarding Market and Future Projections by Revenues in ₱millions, 2013-2018 and 2019E-2024E[63]



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	318,904.00	346,915.00	383,115.00	414,688.00	451,133.17	476,986.68	513,184.52	563,802.71	606,850.80	655,978.40	706,963.74	759,714.60
Growth Rate		8.78%	10.43%	8.24%	8.79%	5.73%	7.59%	9.86%	7.64%	8.10%	7.77%	7.46%

The freight forwarding market in the Philippines has comprised of a number of players that have operated in specific segments, namely, air, water and land. Domestic players such as LBC, Air 21 and 2GO have dominated the land, air and water networks in the domestic market, whereas, players such as DHL and FedEx have dominated the international markets.

Companies such as 2GO Logistics have utilized the potential of freight forwarding sector through expansion of resources such as personnel, transportation systems and technology. In recent years, the entry of international players in the Filipino market through partnerships with local players has led to intensification in competition.

Ground Freight Forwarding

National roads in the Philippines are classified into three (3) categories namely, (1) Primary Roads, (2) Secondary Roads, and (3) Tertiary Roads. Primary roads are connected to major cities with population of at least 100,000 people. Secondary Roads are other roads that complement with primary roads to provide access to the main population and production centers of the country. Tertiary Roads are other existing roads under DPWH that serve a local function. In 2018, the national roads in the Philippines expanded to 32,932.71 km from 29,898.12 km 2009, with a ten (10) -year CAGR of 1.08%.[64]

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63 Ken Research
64 Department of Public Works and Highways

The rise in paved roads in the country has enabled forwarding services to become more time efficient and to reach to previous inaccessible regions. Paved roads have grown 22,468.71 km to 31,622.78 km during the years 2009-2018 at a ten (10) -year CAGR of 3.87%.[65] Moreover, in order to improve seaport efficiency through decongestion, the government has planned to improve national road connectivity to address the increase in shipment volume.[66]

Comparative Regional Yearly Length of National Roads, 2009-2018[67]

Year	Paved (km)				Unpaved (km)				Grand Total
	Primary	Secondary	Tertiary	Total Length	Primary	Secondary	Tertiary	Total Length	
2009	13,525.38	8,943.33		22,468.71	2,205.19	5,224.22		7,429.41	**29,898.12**
2010	14,055.91	10,070.66		24,126.57	1,816.02	5,299.83		7,115.85	**31,242.42**
2011	14,275.50	10,558.87		24,834.37	1,711.21	4,813.51		6,524.72	**31,359.09**
2012	14,474.74	10,968.11		25,442.85	1,581.13	4,573.12		6,154.25	**31,597.10**
2013	14,852.27	11,920.70		26,772.97	1,226.49	4,227.53		5,454.02	**32,226.99**
2014	7,042.65	12,196.38	8,577.42	27,816.45	17.74	1,855.00	2,837.31	4,710.05	**32,526.50**
2015	7,058.91	12,653.43	9,206.83	28,919.17	7.83	1,465.05	2,241.31	3,714.19	**32,633.36**
2016	7,065.91	13,087.68	9,856.40	30,009.99	1.51	1,060.36	1,698.41	2,760.28	**32,770.27**
2017	7,065.57	13,524.30	10,445.43	31,035.31	1.00	724.58	1,107.17	1,832.75	**32,868.06**
2018	7,067.22	13,770.01	10,785.54	31,622.78	1.00	514.59	794.33	1,309.93	**32,932.71**

Sea Freight Forwarding

The Philippines comprises of an archipelago of 7,641[68] islands and has depended heavily on sea trade with most of the countries. In 2017, a total of 821 commercial sea ports were recorded in the Philippines. The Philippines Ports Authority ("PPA") has been the governing body for both private and nationalized ports.[69] PPA organizes the 145 ports that it regulates into five (5) Port District Offices ("PDOs"), namely Manila, Luzon, Visayas, Northern Mindanao, and Southern Mindanao. The PDOs manage the different ports by geographical jurisdiction through Port Management Offices ("PMOs"), which consists of 21 base ports that serve as central and administrative ports of PMOs, and 102 secondary or terminal ports that serve as extension of the base ports, further classified as either private or municipal ports.[70]

Ports run by private entities are typically for own use, such as for moving raw materials, finished goods, personnel, or cargo, and are mostly confined to domestic economic activities. These private ports are also required to secure permits from the PPA to operate.

The presence of such a large number of ports has bolstered both international and domestic sea traffic. Shipment of large and heavy volumes of packages has been preferred through sea routes as they provide a more feasible mode of transportation.[71]

Cargo throughput is defined as the total volume of cargo discharged and loaded at the port. It includes breakbulk, liquid bulk, dry bulk, containerized cargo, transit cargo, and transshipment. Containerized cargo refers to cargo packed in vans and containers to facilitate handling and transport. Containerized cargo forms part of the total cargo throughput. Shipcalls refer to the number of vessels that call or arrive at a particular port during any given

65 Department of Public Works and Highways
66 Ken Research
67 Ken Research
68 National Mapping and Resource Information Authority
69 Ken Research
70 PPA Annual Report
71 Ken Research

time. The country recorded a total cargo throughput of 256,326.12 billion metric tons in 2018, which was 0.89% higher than 2017.[72]

Cargo Throughput, Container and Passenger Traffic, & Shipcalls, 2013-2018[73]

Values are in thousands	2014	2015	2016	2017	2018	5 YR CAGR
Cargo Throughput (m.m.t.)	**214,812.62**	**223,672.06**	**243,757.53**	**254,069.32**	**256,326.12**	4.52%
Domestic	79,713.23	89,051.20	94,364.46	102,533.51	102,957.51	6.61%
Foreign	135,099.39	134,620.86	149,393.07	151,535.80	153,368.61	3.22%
Import	66,633.06	73,765.54	85,031.59	89,029.20	99,334.14	10.50%
Export	68,466.33	60,855.31	64,361.48	62,506.61	54,034.48	-5.75%
Container Traffic (in TEU)	**5,525.12**	**5,861.84**	**6,520.26**	**7,060.25**	**7,538.85**	8.08%
Domestic	2,171.16	2,379.71	2,636.88	2,865.31	3,083.62	9.17%
Foreign	3,353.96	3,482.13	3,883.38	4,194.94	4,455.24	7.36%
Import	1,712.21	1,737.88	1,976.05	2,127.41	2,300.34	7.66%
Export	1,641.75	1,744.25	1,907.33	2,067.53	2,154.90	7.04%
Passenger Traffic	**55,990.03**	**62,762.73**	**68,951.21**	**72,051.95**	**76,349.90**	8.06%
Disembarked	28,746.34	32,194.82	35,634.26	37,090.29	39,102.66	8.00%
Embarked	27,243.69	30,567.91	33,316.95	34,910.93	36,867.28	7.86%
Cruise Ships				50.73	379.96	
Shipcalls	**362.99**	**395.10**	**433.58**	**446.26**	465.65	6.42%
Domestic	353.32	384.90	421.27	434.38	454.34	4.49%
Foreign	9.67	10.20	12.32	11.88	11.31	3.99%
RoRo Traffic			**5,501.81**	**5,901.33**	**6,888.23**	
Inward			2,743.69	2,885.01	3,464.04	
Outward			2,758.12	3,016.33	3,424.20	

72 Philippine Ports Authority
73 Philippine Ports Authority

Air Freight Forwarding - Domestic

LBC Express, AP Cargo Logistics Network Corp. and Airfreight 2100, Inc. have consistently been the top contributors in domestic airfreight cargo traffic at 21.98%, 17.79%, and 12.63% of the total domestic airfreight cargo traffic in 2017, respectively. From 2015 to 2017, the total domestic airfreight cargo traffic has been growing at a three (3) –year CAGR of 16.16% with LBC Express and AP Cargo Logistics growing at a three (3) –year CAGR of 8.48% and 25.45%,, respectively.[74]

Top 10 Domestic Airfreight Forwarders Cargo Traffic Flow Statistics Chargeable Weight in KGs[75]

Company	2017	Rank	2016	Rank	2015	Rank
LBC Express	17,742,272	1	15,244,099	1	15,076,369	1
AP Cargo Logistics Network Corp.	14,365,657	2	8,526,250	2	9,128,550	2
Airfreight 2100, Inc.	10,196,283	3	5,210,039	3	6,839,921	3
JRS Business Corporation	6,424,962	4	4,678,662	5	3,266,051	5
Cargo Padala Express Forwarding Service Corp.	5,522,350	5	4,826,262	4	4,355,299	4
Wide Wide World Express, inc.	2,264,650	8	1,801,171	9	2,193,615	8
Libcap Super Express Corp.	1,966,261	6	2,038,003	7	1,718,203	11
2Go Express, Inc.	1,925,333	7	1,698,677	11	1,760,122	10
Kim Gold Cargo Logistics, Inc.	1,809,477	9	1,914,036	8	2,285,480	7
F2 Logistics Philippines	1,803,778	10	1,028,035	13	679,265	15
Others	16,708,581		14,116,586		12,526,472	
Total	**80,729,603**		**61,081,820**		**59,829,346**	

[74] Civil Aeronautics Board
[75] Civil Aeronautics Board

Airfreight Forwarding - International[76]

From 2014 to 2017, the total international airfreight cargo traffic has been growing at a three (3) year CAGR of 12.27%. Nippon Express Philippines Corporation had consistently been the top contributor in international airfreight cargo traffic at 14.64%, 17.42%, and 17.12% in 2016, 2017, and 2018, respectively. In addition, Nippon Express Philippines Corporation has been growing at a three (3) –year CAGR 3.84%.

Top 10 International Airfreight Forwarders Cargo Traffic Flow Statistics Chargeable Weight in KGs[77]

Company	2018	Rank	2017	Rank	2016	Rank
Nippon Express Philippines Corporation	53,998,469	1	60,788,197	1	50,076,591	1
Yusen Logistics Philippines, Inc. ex. Yusen Air & Sea Service Phils Inc	21,788,894	2	18,136,219	4	13,811,704	5
Schenker Philippines, Inc.	20,350,737	3	14,984,004	5	17,169,093	3
Trans-global Consolidators, Inc.	18,686,051	4	19,371,685	3	17,297,396	2
Kuenhe & Nagel, Inc.	17,339,336	5	5,356,495	17	9,315,309	8
DHL Global Forwarding (Philippines), Inc.	16,353,066	6	36,229,819	2	15,208,061	4
UPS Delbros Transport, Inc.	10,296,741	7	8,367,732	7	7,382,812	9
Panalpina World Transport (Phils), Inc.	9,637,766	8	7,485,343	9	9,410,613	7
Expeditors Philippines, Inc.	8,876,277	9	8,697,667	6	7,154,740	10
U-Freight Philippines, Inc.	8,815,267	10	6,568,243	12	6,622,128	12
Others	182,594,180		163,045,089		139,107,490	
Total	**368,736,783**		**349,030,492**		**292,555,937**	

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Warehousing Sector[78]

Warehousing includes the storage of both outbound and inbound products and goods to be transported. A warehouse is often used as a location for storage of goods to manage demand-supply gaps over a long period of time. Warehouses also make use of certain management systems, which help companies in managing the warehouse resources.

Over the past few years, there has been an increase in the number of cold chain facilities in the Philippines driven by increasing domestic consumption, owing to increasing concerns over food safety and the ongoing shift in consumer habits to buy fresh and frozen produce from supermarkets than from traditional wet markets. The

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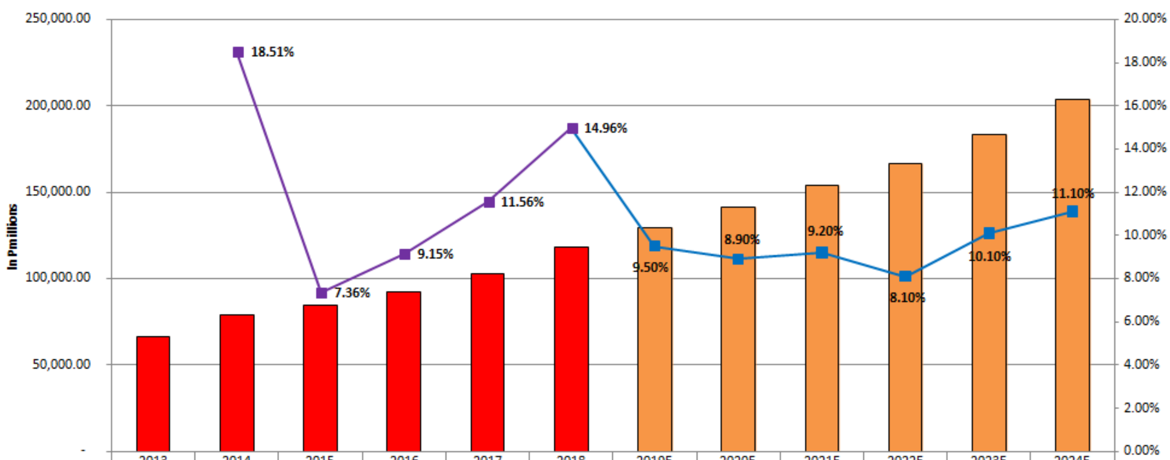
growth of e-Commerce and online grocery shopping has also bolstered the demand for frozen food. These trends have all contributed to a rapid increase of cold storage facilities and infrastructure support across the Philippines.

From 2012-2014, the Philippine warehousing market grew from ₱58.9 billion to ₱78.7 billion or a CAGR of 15.6% due to (1) increasing manufacturing activities, (2) rising domestic consumption, and (3) international trade. From 2015-2017, the Philippine warehousing market grew from ₱84.5 billion to ₱102.9 billion due to the rapid growth of the e-Commerce industry and the increasing trade flow within the Philippines. Moreover, the number of cold storage warehouses in the Philippines grew from 125 warehouses in 2012 to 256 warehouses or a CAGR of 9.5%.

The Philippine warehousing market grew from ₱66.39 billion in 2013 to ₱118.25 billion in 2018 or a CAGR of 12.24% due to the (1) increasing manufacturing activities, (2) rising domestic consumption, (3) international trade, (4) rapid growth of the e-Commerce industry, and (5) the increasing trade flow within the Philippines.

Moving forward, the Philippine warehousing market is anticipated to grow from ₱129.48 billion in 2019 to ₱203.61 billion in 2024 or a CAGR of 9.48% driven by (1) the increasing prominence of online shopping, (2) the anticipated robust growth from the retail sectors, (3) FMCG sectors, (4) pharmaceutical sectors, (5) apparels, and (6) other accessories.

Philippine Warehousing Market and Future Projections by Revenues in ₱millions, 2013-2018 and 2019E-2024E[79]



	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E
Revenues	66,392.04	78,682.45	84,474.76	92,202.44	102,864.62	118,251.00	129,484.85	141,009.00	153,981.82	166,454.35	183,266.24	203,608.79
Growth Rate		18.51%	7.36%	9.15%	11.56%	14.96%	9.50%	8.90%	9.20%	8.10%	10.10%	11.10%

In terms of Philippine warehouse market segmentation by business model, the Industrial Freight/Retail sector is the largest contributor to the warehousing sector with ₱70.95 billion in revenues or 60.0% market share in 2018 driven by the (1) steady growth in industrial activities that has encouraged many foreign companies to enter in the country, (2) retail sector expansion, and (3) rising internet and Smartphone penetration. Second, the container freight contributed ₱28.38 billion or 24.00% market share due to the Philippines' favorable location being well connected with other Asian and European countries via sea and air routes. Containers and Shipping docks in the Philippines are used in a daily basis by different companies from these regions to store their freight, which resulted to the surge in demand for warehousing services. Third, the Cold Storage contributed ₱7.60 billion or equivalent to 6.43% market share. The main growth drivers of the Cold Storage business were the robust

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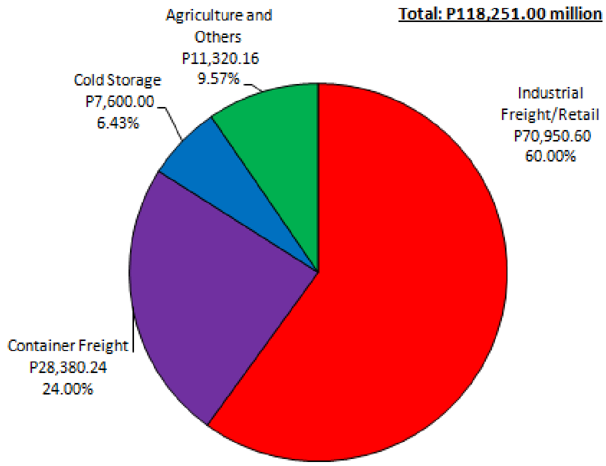
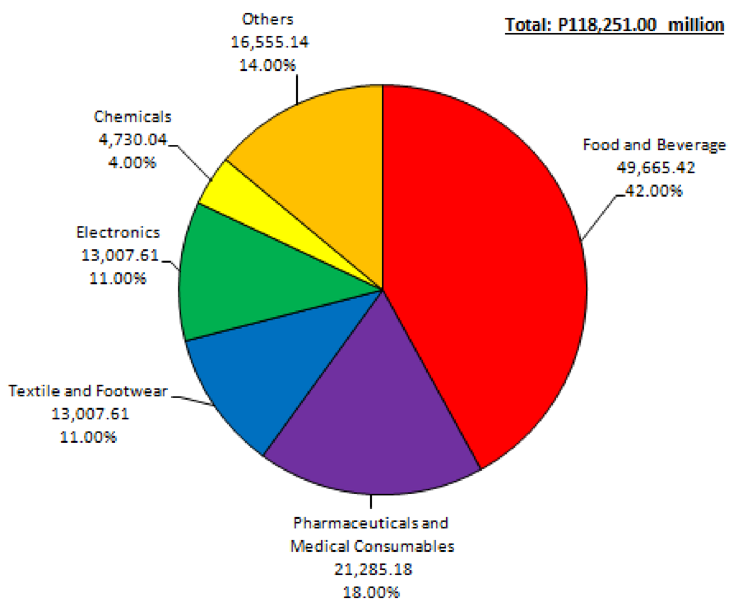
growths in the (1) pharmaceutical and healthcare industry, (2) the frozen food industry, (3) meat and poultry, and (4) dairy products and other perishable items. On the other hand, the Agriculture and others businesses were mainly driven by the overall growth in Philippine economic activity, contributing ₱11.32 billion, equivalent to a 9.57% market share.

Philippine Warehousing Market Segmentation by Business Model by Revenues in ₱millions, 2018[80]



Philippine Warehousing Market Segmentation by End Users by Revenues in ₱millions, 2018[81]



[80] Ken Research
[81] Ken Research

PHILIPPINE REMITTANCE INDUSTRY

History

The history of money transfer goes back to the mid-1800s when organizations moved money by means of bank transactions and currency exchange. Then, financial services and communication companies processed fund transfers by means of a telegraph.

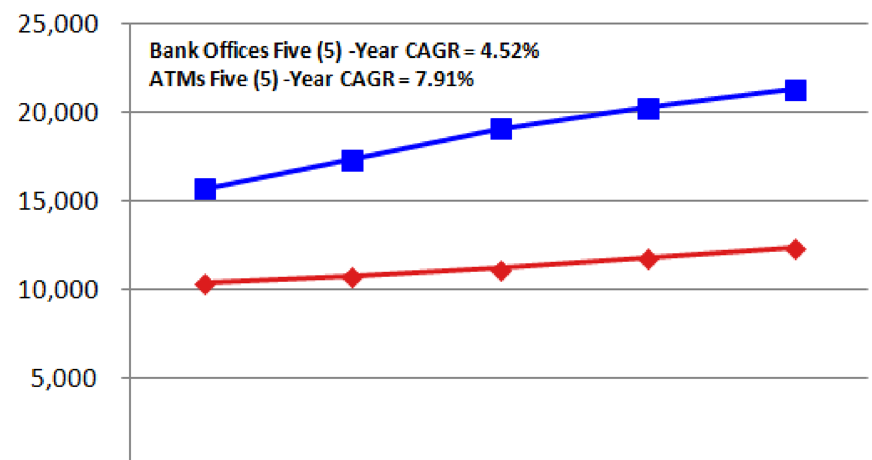
With the emergence of the Internet in the 1990s, the process of money transfer became largely electronic, allowing people to complete their transactions in a matter of minutes. There are now a multitude of institutions offering money transfer services and these remittance providers are able to maintain longer service hours, and more secure and efficient ways of transferring funds.

Philippines Financial Inclusion

The Philippine banking system has sustained its growth momentum and managed to deliver a remarkable performance in the past years amid lingering uncertainties in global financial markets. Key performance showed further strengthening of banks' balance sheets with double-digit growths in asset, loans, deposits, and capital. During the year, banks maintained ample liquidity to meet their operational requirement and relating fund needs.

The total number of bank offices in the Philippines increased from 10,361 offices in 2014 to 12,364 offices in 2018 or at a five (5) –year CAGR of 4.52%. At a faster rate, ATMs also increased from 15,695 in 2014 to 21,278 in 2018 at a five (5) –year CAGR of 7.91%.[82]

Number of Banking Offices and ATMs in the Philippines, 2014-2018[83]



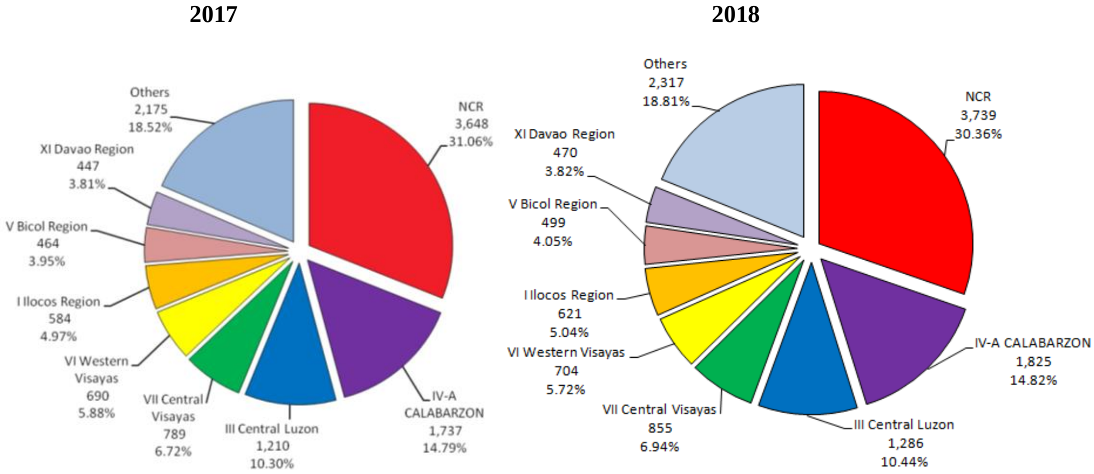
	2014	2015	2016	2017	2018
Bank Offices	10,361	10,756	11,178	11,793	12,364
ATMs	15,692	17,314	19,081	20,276	21,275

[82] Bangko Sentral ng Pilipinas
[83] Bangko Sentral ng Pilipinas

Geographical Distribution of Banks and ATMs

Banks remained concentrated in the NCR, CALABARZON, and Central Luzon regions. CAR and ARMM had the least access to Banks and ATMs. Other underserved regions were Eastern Visayas and Caraga in terms of the number of bank offices, and MIMAROPA in terms of ATM counts.

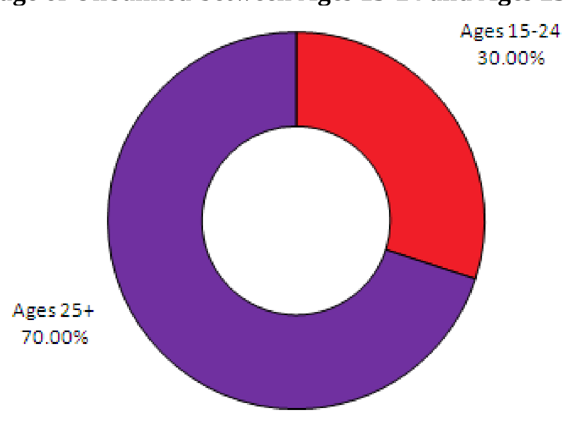
Geographical Distribution of Banks, 2017-2018[84]



The Unbanked Population[85]

As defined by the International Monetary Fund, the unbanked is the segment of population who do not have access to a bank account and other banking services, or who choose not to avail themselves of such services (the unbanked may include sender and recipients of remittances).[86] Globally, three (3) in 10 or 30.00% of unbanked adults aged between 15 and 24 years old are unbanked. Among all adults in developing economies, only 23.00% fall in that age group. The unbanked population is even younger in economies where the share of unbanked adults is relatively small in 2017.

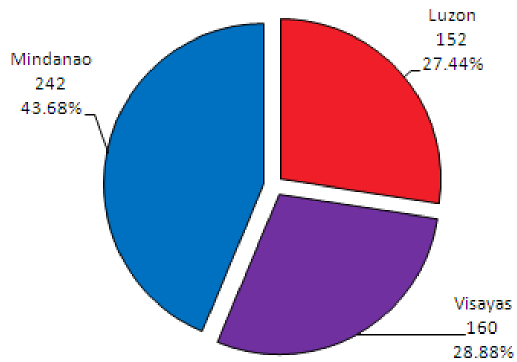
Percentage of Unbanked between Ages 15-24 and Ages 25+, 2017[87]



[84] Bangko Sentral ng Pilipinas
[85] Global Findex Database, World Bank
[86] International Monetary Fund
[87] Global Findex Database, World Bank

On the survey conducted by the World Bank, 34.50% of the population in the Philippines are banked. This was an increase from 31.30% in 2014 or a difference of 3.2%. Moreover, strict documentations (45.00%) and distance from the financial institutions (41.00%) are reasons Filipinos cited to why they prefer to be unbanked. Based on the BSP Financial Inclusion Survey, 43.20% of adult Filipinos have savings wherein 32.70% of the adults kept them in banks, while the other 68.30% in their homes.

Unbanked Cities and Municipalities in the Philippines, 2017[88]



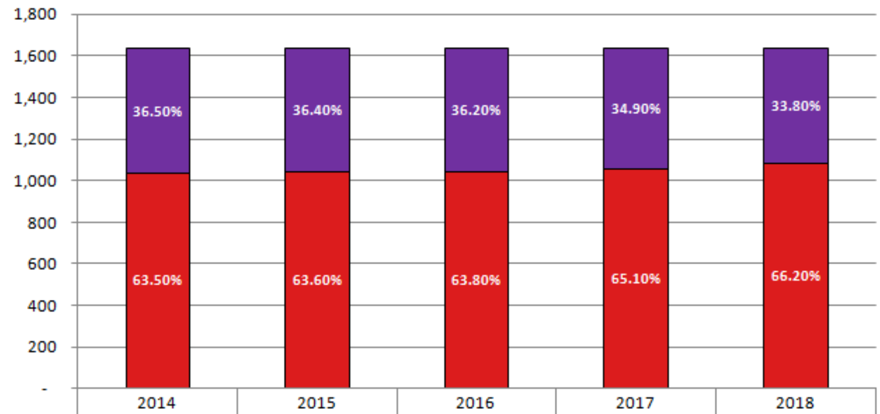
Access Points

As defined by the International Monetary Fund, an access point is a location where end users can send or receive remittance transfers. An access point can be physical (e.g., bank branch, post office, shop) or virtual (e.g., website, telephone).[89]

The Philippines' overall access situation has improved with the banking presence increasing from 1,057 municipalities in 2017 to 1,082 municipalities in 2018 out of a total of 1,634 municipalities. Out of those without banking presence in 2018, 446 municipalities remit via other access points or money transfer operators and pawnshops and 106 municipalities have no access to remittance at all.[90]

88 Bangko Sentral ng Pilipinas
89 International Monetary Fund
90 Ken Research

Overall Access Situation, 2016-2017[91]



	2014	2015	2016	2017	2018
Without banking presence	596	595	592	577	552
With banking presence	1,038	1,039	1,042	1,057	1,082

Payments and Remittance

In a survey conducted by the BSP in 2015, 69.20% are aware that ATMs are means of sending and receiving money or remittances to/from persons. This is followed by pawnshops at 65.50%, and remittance agents at 62.40%. In the past six (6) months of the survey, 91.00% of Filipinos sent to their families, while 6.00% sent to their friends. Lastly, 71.00% cited the remittance received is mainly for food. Some other uses are education at 39.00%, medical expenses at 28.00%, and emergencies at 22.00%.

Global Remittance[92]

The growth of advanced economies is slowing, largely due to weak exports. The deceleration is notable in the euro area: growth in Germany and France has been subdued, and Italy's recovery from a 2018 recession is weak. Activity in the United States is slowing but remains robust. Growth in Low-to-Middle Country ("LMIC") is expected to remain stable in 2019, as deteriorating external demand and persistent policy uncertainty in high-income countries is offset by recent improvements in financing conditions and, for commodity-exporting countries, rising commodity prices.

Given these global trends, remittances to LMICs are expected to grow at a three (3) -year CAGR of 4.45% from 2018E-2020F. In addition, Risks of oil price declines, policy uncertainty, and geopolitical risks, increased restriction on trade, and anti-immigrations sentiments in some host countries, and a slowdown in global growth may retard remittances.

Moreover, despite the fact that solutions have been propose at a global level by the international bodies such as the Financial Services Board, to address de-risking practices, there is no single magic bullet, and implementation of the proposed solutions will take time and require coordinated efforts by the banking and remittance industry, as well as by the regulators and supervisors.

Among the LMICs, the remittances for countries in East Asia and Pacific are particularly notable. This region has possessed the highest dollar amount of remittance flows in LMICs contributing 27.18% of the remittances in 2018 at a three (3) –year CAGR of 2.32%.

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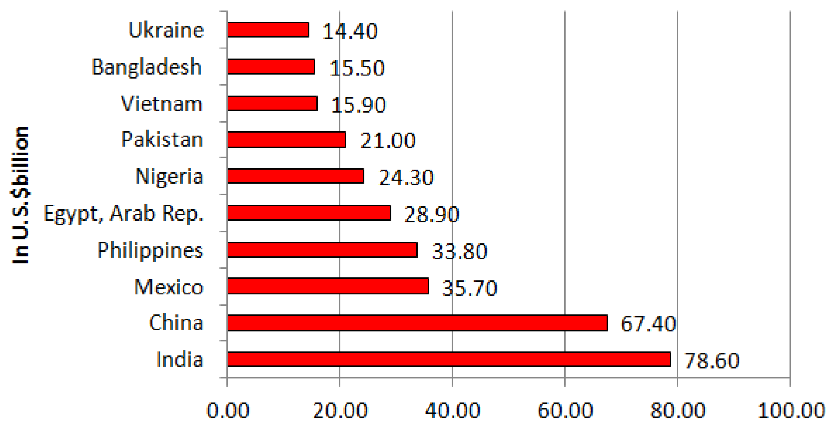
[91] Bangko Sentral ng Pilipinas
[92] World Bank Migration and Remittance Data

Outlook for Remittance Inflows for LMICs in U.S.$billions, 2015-2020F[93]

Region	2015	2016	2017	2018E	2019F	2020F
East Asia and Pacific	128.00	128.00	134.00	143.00	149.00	156.00
Europe and Central Asia	43.00	43.00	53.00	59.00	61.00	64.00
Latin America and Caribbean	67.00	73.00	80.00	88.00	91.00	95.00
Middle-East and North Africa	51.00	51.00	57.00	62.00	64.00	66.00
South Asia	118.00	110.00	117.00	131.00	137.00	142.00
Sub-Saharan Africa	43.00	38.00	42.00	46.00	48.00	51.00
Developing Countries	**450.00**	**443.00**	**483.00**	**529.00**	**550.00**	**574.00**
World	**128.00**	**128.00**	**134.00**	**143.00**	**149.00**	**156.00**

In 2018, top recipients of remittance money were India, China, Mexico, Philippines, Mexico, and Egypt, Arab Republic, as shown in the following graph. The Philippines recorded an estimated US$33.80 billion in inflow remittances in 2018 making it the fourth largest recipient in the world.

Top Recipients of Remittance Money in U.S.$billion, 2018[94]



In 2018, top senders of remittance money were United States, UAE, Saudi Arabia, Switzerland, and Germany as shown in the following graph. As observed below, the high-income countries remain to be the main source of remittances. The USA is the largest source with a recorded outward flow of U.S.$68.0 billion.

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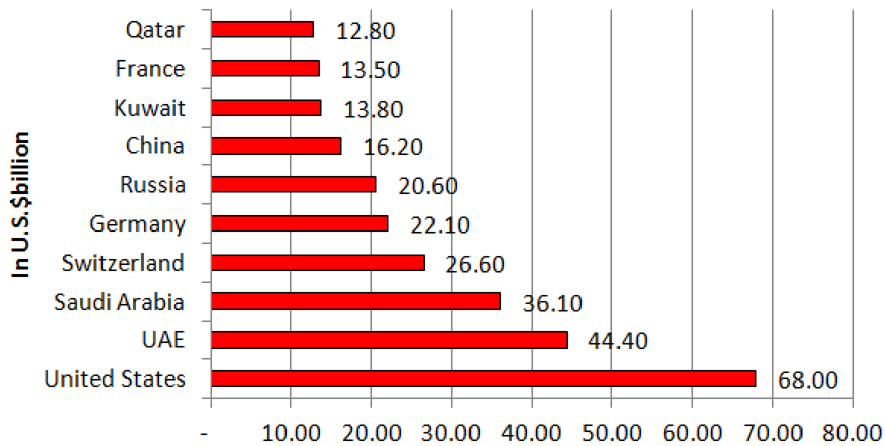
93 World Bank Migration and Remittance Data
94 World Bank Migration and Remittance Data

Top Senders of Remittance Money in U.S.$billions, 2018[95]



Philippine Remittance

Overview

The Remittance market in the Philippines witnessed growth in the recent years on the account for rising number of OFWs, increase in OFW income and increase in financial connectivity of people through online sources and brick and mortar remittance centers. The growth has mainly originated from the increase in disposable incomes of OFWs in the US and Middle East who account a larger share of remittances. Domestic factors such as increase in banked populations, rise in mobile connectivity and in increase in internet penetration along with decline in transaction fees have fuelled the growth of domestic remittances across the Philippines. The money transfer market in the Philippines has comprised of a large number of players which include both banks and MTOs. Banks such as BDO, BPI, PNB have held a dominant share in the international remittance market whereas Palawan Pawnshop, LBC and Cebuana Lhuiller have been the major money transfer companies in the local market.[96]

There are some indisputable welfare effects of migrant remittances. First, remittances are a significant source of income for numerous low and middle-income households. Second, remittances provide the "hard currency needed for importing scarce inputs that are not available domestically and also additional savings for economic development."[97]

Moreover, remittances have been largely used to pay bills, which include utilities, educated and recharges. The bill payment market in the Philippines has bolstered in the past five years with increase in basic income of the local population and a higher support from international remittances.[98]

The increase in internet connectivity and mobile penetration will streamline access to remittance services and elevation in number of OFWs and their income will bolster the remittance market. Intensified competition will likely lead to reduction in transaction costs which will act as a hurdle for remittance service providers.[99]

Market Size[100]

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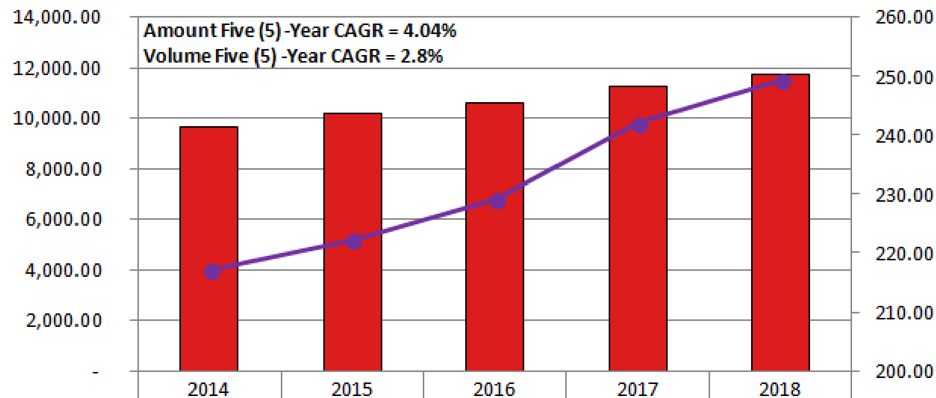
95 World Bank Migration and Remittance Data
96 Ken Research
97 International Migration Outlook - OECD
98 Ken Research
99 Ken Research

In the Philippines, domestic remittances have been transferred from 125 cities inside 81 provinces, The top 10 cities amongst these provinces included Quezon City, Manila, Makati, Caloocan, Parañaque, Pasig, Mandaluyong, Taguig, Pasay, and Baguio.

The continued expansion of the Philippine economy and the generation of local income have contributed greatly to the distribution of wealth countrywide. In addition, the increase in local migration years has been favorable to the growth of domestic money transferred through the years.

In terms of transaction amounts, the Philippine domestic remittance market size grew from U.S.$9.31 billion in 2014 to U.S.$11.74 billion in 2018 or at a five (5) CAGR of 4.04%. On the other hand, transaction volume grew from 217.10 million in 2014 to 249.30 million in 2018 or at a five (5) –year CAGR of 2.80%.

Philippine Remittance Market Size in millions, 2014-2018[101]



	2014	2015	2016	2017	2018
Amount	9,636.00	10,195.00	10,623.20	11,271.20	11,744.60
Volume	217.10	222.10	229.20	242.00	249.30

Regional Composition[102]

The Philippines remittances inflow grew to U.S.$28.94 billion in 2018 from U.S.$24.63 billion in 2014 at a five (5) –year CAGR of 4.12%. America remains the top contributor with 39.03% total amount of remittances to the Philippines, followed by Middle East and Asia contributing 22.86% and 20.47%, respectively. By region, the Middle East and Asia have been growing at a five (5) –year CAGR of 6.60%, 0.11%, and 7.60%, respectively.[103]

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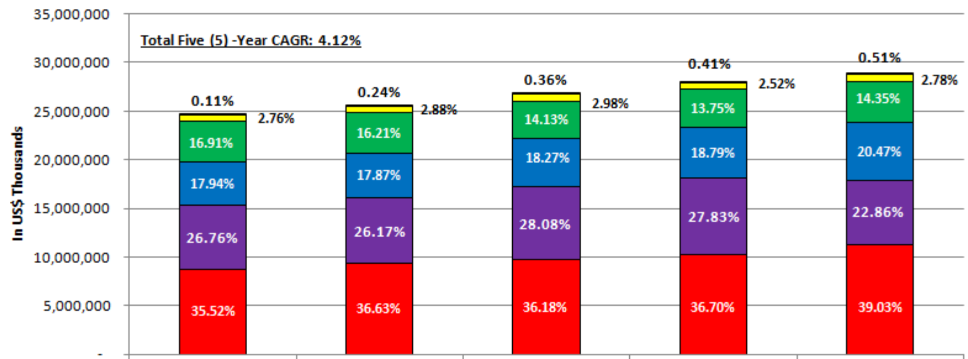
[100] Ken Research
[101] Ken Research
[102] Bangko Sentral ng Pilipinas
[103] Bangko Sentral ng Pilipinas

Philippine Remittance by Regional Composition in ₱thousands, 2014-2018[104]



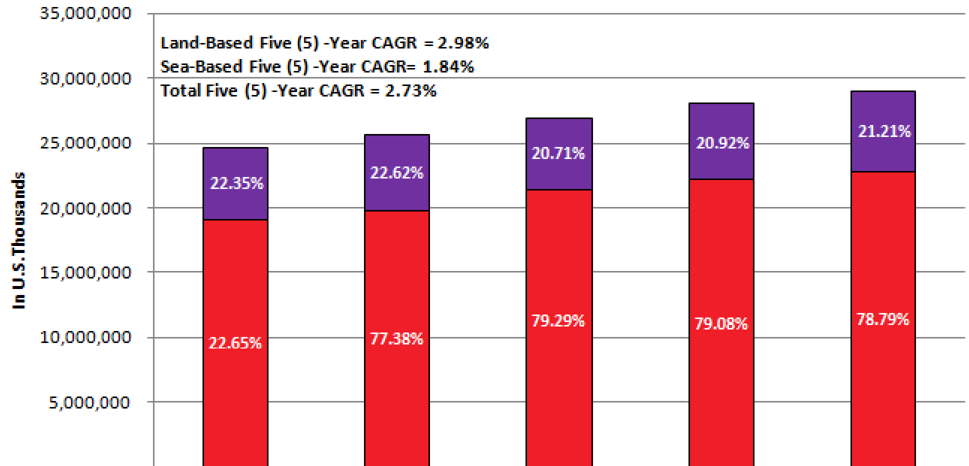
	2012	2013	2014	2015	2016
Africa	26,805	61,992	96,907	115,084	147,651
Oceania	679,547	737,304	802,631	706,078	804,027
Europe	4,164,423	4,150,684	3,801,658	3,857,187	4,153,281
Asia	4,419,481	4,575,602	4,913,365	5,273,268	5,924,413
Middle East	6,589,408	6,702,463	7,552,569	7,810,148	6,617,315
Americas	8,748,394	9,378,786	9,732,710	10,298,024	11,296,425
Total	24,628,058	25,606,831	26,899,840	28,059,789	28,943,112

Land-based and Sea-based Migrant Workers

Land-based remittances grew from U.S.$19.12 billion in 2014 to U.S.$28.94 billion in 2018 or at a five (5) –year CAGR of 2.98%. On the other hand, sea-based remittances also grew from U.S.$5.50 billion in 2014 to U.S.$6.14 billion in 2018 or at a five (5) –year CAGR of 1.84%.

[104] Bangko Sentral ng Pilipinas

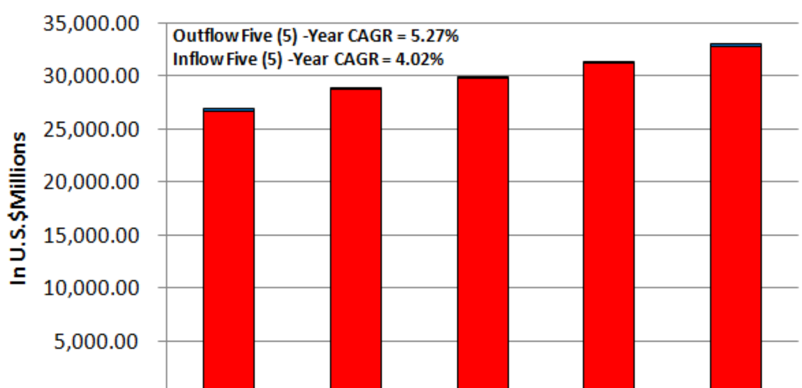
Philippine Remittance by Land-based and Sea-based Migrant Workers ₱thousands, 2014-2018[105]



	2014	2015	2016	2017	2018
Seabased	5,503,179	5,792,459	5,572,148	5,870,827	6,139,512
Landbased	19,124,879	19,814,372	21,327,692	22,188,962	22,803,600
Total	24,628,058	25,606,831	26,899,840	28,059,789	28,943,112

Based on the World Bank, the Philippine market is predominantly a receiving country with 99.24% remittance inflow versus outflow in 2018. Remittance inflow and outflow have been growing at a five (5) –year CAGR of 4.20% and 9.02%, respectively. [106]

Remittance Inflow vs. Outflow in U.S.$million, 2014-2018[107]



	2014	2015	2016	2017	2018e
Outflow	210.26	182.98	153.32	196.07	246.21
Inflow	26,716.84	28,690.80	29,799.40	31,141.97	32,809.77

[105] Bangko Sentral ng Pilipinas
[106] World Bank
[107] World Bank

Remittance Channels and Key Industry Players

Generally, the remittance industry is made up of two (2) channels: formal and informal.

Formal Channels

Formal Channels are money remittance agencies that are regulated by a government entity (i.e. Central Banks). They are recorded transactions that are coursed through formal banking channels and money transfer agencies.

Players within the formal channel include:

Banks

There are about 20 Philippine banks that are involved directly in servicing remittances through their branches, affiliates, or agents in over 30 countries. The five (5) major remittance players in the Philippines are BDO, BPI, Metrobank, PNB, and RCBC.

Banks charge a corresponding fee for each remittance transaction depending on the amount sent and the type of transaction. However, banks have limited business hours and are set in a more formal environment, discouraging some remitters to use them as mediums for transactions.

Moreover, technological developments, such as mobile banking and e-banking, will reduce the cost of transferring money, even in small amounts, through formal channels, enabling migrant workers to send money easily and safely.[108]

[108] "Remittances: An Economic Boost with Pitfalls" by ADB

Major Bank Remittance in the Philippines[109]

Company	Description

BDO Unibank, Inc.	• BDO was founded in 1967 and was acquired by the Sy Family in 1976.
	• BDO is currently the largest Philippine bank in terms of assets, loans, deposits and market capitalization.
	    ○ As of December 31, 2018, BDO has 1,309 branches (including one (1) Hong Kong branch, one (1) Singapore branch, and 183 One Network Bank (ONB) branches), 4,325 ATMs, and 484 cash deposit machines (CAMs).
	    ○ Moreover, BDO has interests in finance, tourism, real estate, commercial centers, and retailing.
	• BDO Remit, the remittance service of BDO, sends money into the Philippines through its international branches, partners and foreign agents.
	• BDO has over a hundred partners and agents for accessibility worldwide and offers door-to-door, account-to-account and branch pick-up.
	• International partners include Pinoy Express, UAE Exchange Australia, CITI Bank N.A., MoneyGram, Wells Fargo, and Vigo.
	• The bank also has international subsidiaries and offices that are located in Hongkong, Macau, Germany, USA, France and Israel.
	• BDO also allows customer access their accounts and perform an extensive range of banking transactions through browsers, and mobile application.

Bank of the Philippine Islands	• BPI was founded in 1895 and is known as the oldest bank in the Philippines.
	• BPI is the second largest bank in terms of market capitalization, and third in terms of assets.
	    ○ As of December 31, 2018, BPI has 856 branches including 12 kiosk branches across the country.
	    ○ BPI also has four (4) remittance centers located in Hong Kong and 2 representative office located in UAE and Japan. Additionally, there are 103 BPI Direct BanKo branches and microbanking offices set up in strategic locations in the country.
	    ○ BPI also has 2,421 ATMs and 613 CAMs.
	• In 1969, Ayala Corporation, the largest conglomerate in the Philippines, became the dominant shareholder of the bank.
	• BPI Express Remittance Corporation, a subsidiary of BPI, offers remittances services.
	    ○ BPI Express Remittance Corporation has tie-ups with foreign companies making it accessible and convenient for remitters. Among its affiliated companies are Western Union, Expeed Global, UAE Exchange, Australia and Samba Speed Cash.
	    ○ The bank offers multiple remittance services including bills payment, door-to-door, account-to-account, and branch pick-up.
	    ○ It also offers U.S. government pensioners as easier and faster way of depositing money into respective local accounts.
	• BPI Online banking gives client complete control over their accounts through the web browser. The platform offers clients a variety of transactions such as viewing balances, transaction history, paying over 400 bill merchants and managing investment funds.
	• BPI Mobile Banking platform allows clients to check balances, perform bill payments, prepaid phone reloading, and fund transfers even to un-enrolled BPI accounts.

Metropolitan Bank & Trust Company	• Metrobank is the second largest bank in the country in terms of assets. The bank was established in 1962 by a group of businessmen in Binondo, Manila.
	• Metrobank's principal business activities involve borrowing and lending, trade finance, remittances, treasury, investment banking, and thrift banking.
	    ○ A majority of the bank's customers come from the middle-income group, which is composed mostly of Filipino-Chinese citizens.
	    ○ As at December 31, 2018, Metrobank has 707 branches and 1,797 ATMs.
	• Metrobank allows remittances through its international branches, subsidiaries and partners. The bank's partners include Wells Fargo, U.S Bank, Xoom, and CITI Bank N.A.

[109] Annual Reports

Company	Description
	○ It provides account-to-account, door-to-door and branch pickup transactions. ○ In 2018, Metrobank has tied up with more than 11 international companies to serve as remittance centers in the international market. ○ Moreover, Metrobank has also tied up with local remittance firms namely Aqualink Maritime, Inc., and Trioceanic Manning & Shipping, Inc. • Metrobank Mobile Banking enables customers to perform various financial transactions via Apple iOS and Android Mobile Banking Devices.
PNB Philippine National Bank	• In 1916, during the colonial period, the Philippine government established PNB. It became the country's first universal bank in 1980 and was privatized by 1989. ○ The bank is the fourth largest financial institution in the Philippines in terms of assets. ○ As of December 31, 2018, PNB has 711 domestic branches/offices and 72 overseas branches, representative offices, and remittance centers and 1,473 ATMs in the Philippines. • PNB is a member of the Lucio Tan Group of companies. The Lucio Tan Group, one of the country's largest conglomerates, has interest in the airline industry, real estate, finance, insurance, tobacco and alcohol. • PNB Remittance Centers Inc., a subsidiary of PNB, offers remittance services for Filipinos living abroad. ○ The bank offers an array of services including door-to-door, branch pickup, online, and account-to-account remittances. • PNB Mobile Banking App offers secure online banking for clients who do their transactions via mobile phones.
RCBC We believe in you. Rizal Commercial Banking Corporation	• RCBC was incorporated on September 23, 1960 under the name Rizal Development Bank and began its operations as a private development bank operating in the province of Rizal. ○ As of December 31, 2018, RCBC has a consolidated network of 509 business centers inclusive of 12 extension offices and supplemented with 1,593 ATMs. • In 1962, the Yuchengco Group of Companies, a conglomerate with interest in financial services and insurance, acquired RCBC. • RCBC Remit Center, a subsidiary of RCBC, offers remittance services for Filipino migrant workers. ○ The bank has multiple branches in California and tie-up partners around North America. ○ The bank currently offers door-to-door, account-to-account, and branch pick-up services. • RCBC Digital Banking Group enables customers to access investments online with appropriate financial controls.

Philippine Money Transfer Agencies

Major players in this channel are Cebuana Lhuillier, LBC Express, M. Lhuillier Pawnshop, and Palawan Pawnshop. The advantages of using these companies' services include longer business hours, faster transactions, accessibility, less requirements and lower fees.

Domestic Money Transfer Agencies in the Philippines[110]

Company	Description
Cebuana Lhuillier	• P.J. Lhuillier, Inc. was established in 1988 and is one of the leading non-bank financial services provider in the Philippines. • The company, through Cebuana Lhuillier, is engaged in the business of pawning, remittance, microinsurance, microloans, and other individual services. ○ Cebuana Lhuillier is present nationwide in the Philippines with more than 2,200 branches and accredited international partners. ○ International remittance partners include I-Remit, BM Express, Family Express, among others.
M Lhuillier Pawnshop	• M Lhuillier was established in 1993 and is one of the leading non-bank financial services provider in the Philippines. • M Lhuillier is engaged in the business of pawning, remittance, insurance, money changing, prepaid and other services. • M Lhuillier has over 1,500 branches in the Philippines and 75 remittance fulfillment agents worldwide.
LBC Express	• LBC Express is engaged in the business of remittances with over 3,000 branches and partner agents worldwide. The company also processes international inbound remittances originating from over 30 countries in which it had branch offices, affiliates and/or agents. ○ LBC Express currently has partnerships with Palawan Pawnshop as a local fulfillment partner. ○ LBC Express also has agreements with international affiliates and remittance fulfillment agents such as, Money Exchange, Philrem, and Al Ghurair, among others.
Palawan Pawnshop	• Palawan Pawnshop was established on August 17, 1985 by the Castro family. • Palawan Pawnshop originally established as a business offering pawn brokering, and later on expanded to include money remittance known as Padala Express Padala. ○ Palawan Express Pera Padala has domestic remittance fulfillment partners with SM and LBC for wider coverages. ○ Palawan Express also has international remittance partners such as BM Express, Worldcom Finance, and Pacific Ace, among others.

International Money Transfer Services

Major players in this formal channel include institutions like I-Remit, Inc. (“I-Remit”), MoneyGram International, Inc. (“MoneyGram”) and Xoom Corporation (“Xoom”), and Western Union. The strengths of international money agencies are their wide network reach and ability to deliver remittances faster than other transfer agencies.

Aside from transaction fees charged to consumers, revenues from institutions in this segment are also derived from transfers involving different send and receive currencies. This is based on the difference of the exchange rate set by the International Money Transfer Agency to the consumer and the rate at which it or its agents are able to acquire currency.

[110] Company Websites

International Money Transfer Agencies in the Philippines[111]

Company[112]	Description
I-Remit, Inc.	• iRemit is a Filipino-owned company engaged the business of servicing the remittance needs of OFWs and other migrant workers. It started commercial operations in 2001.[113] ○ It currently has over 700 branches, tie-ups, and partners. Its partners include pawnshops and banks. It offers multiple remittance services including door-to-door, account-to-account, and branch pickup. • I-RemitX is the company's internet-based remittance service platform that offers convenient secure and customer-centric remittances services online. It is currently available to Filipinos in Australia, Canada, Japan, and Singapore and will soon be available to other countries such as Hongkong and the United Kingdom.

MoneyGram	• MoneyGram began its operations in Minneapolis, Minnesota back in 1940 under the name Travelers Express. Today it is known as MoneyGram International, Inc. (NYSE: MGI), a leading global payment services company based in Dallas, Texas. MoneyGram's major products include global money transfers, bill payment, and money orders. Payment services for this company are available at approximately 227,000 agent locations in about 190 countries and territories.[114]
	• MoneyGram manages its business primarily through two (2) segments: Global Funds Transfer and Financial Paper Products. Global Funds Transfer is the company's primary segment, consisting of money transfer and bill payment services to customers.
	  ○ These services are often offered to consumers through third-party agents, which include independent retailers, retail chains, and financial institutions. The Financial Paper products segment is made up of money orders[115] and official checks.
	  ○ MoneyGram's network provides money orders to customers through its retail and financial agent locations in the USA and Puerto Rico. It also supplies official check outsource services for financial institutions in the USA. Official check outsourcing services are available at approximately 12,000 branch locations and 1,400 financial institutions.[116]

Xoom	• Founded in 2001, Xoom Corporation is an online money transfer company headquartered in San Francisco. Xoom.com provides remittance services to over 30 countries worldwide, including the Philippines. ○ Services offered by Xoom include cash pickup, bank deposits, and home delivery. Consumers may also send money online directly to bank accounts, as well as receive money in local currency or in U.S Dollars. • In January of 2011, Xoom.com launched a new wire transfer service in the United Kingdom. With the new service, users are able to transfer funds in less than an hour. The service is available 24 hours a day, every day of the week; it is accessible through computers and through Internet enabled mobile phones.

111 Company Websites
112 Company Websites
113 Annual Report
114 Annual Report
115 An order for the payment of a specified amount of money, usually issued and payable at a bank or post office.
116 Annual Report

Company[112]	Description
Western Union	• Western Union was founded in 1851 as the New York and Mississippi Valley Printing Telegraph Company. After five (5) years, it changed its name to Western Union to mark the consolidation of several telegraph lines in what was then the Western-most reaches of the American telegraph system. • In 1871, Western Union introduced money transfer services around America and thus proceeded to expand its services to Europe, Northern Africa, North and South America, and Asia. • In the 1990s, Western Union continued to realize many more milestones such as introducing the first consumer charge card, delivering the first singing telegram, and pioneering the first commercial inter-city microwave communications system. Today, the company is a leader in global money movement and payment services, providing people with quick, convenient, and reliable ways to send money and make payments around the world. • The Western Union brand is unquestionably recognized in countries around the world. Its services are available through a global network of more than 450,000 agent locations, in more than 200 countries and territories. ○ Approximately 85.00% of those locations are outside the USA.

E-Money Companies

Major players in this channel are GCash and PayMaya. The advantages of using these companies' services include longer business hours, faster transactions, accessibility, less requirements, lower fees and is channeled through an online platform via mobile applications.

Platform[117]	Description
GCash	• GCash is the digital financial unit of Globe. • It offers services such as buying load, paying bills, and sending money through its mobile application. • The platform also supports payment schemes for several merchants.
PayMaya	• PayMaya is the digital financial unit of PLDT and Smart Communications, Inc. ○ Smart Padala is the mobile money remittance service of PayMaya. • One of the its key features are PayMaya Business, a suite of digital payment acceptance solutions, which allows business to accept payments from all credit, debit, and prepaid cards, anytime, and anywhere. • The platform also supports payment schemes for several merchants.

[117] Company Websites

Online Payment System Platforms

Major players in this channel are InstaPay and PesoNet. The advantages of using these services include longer business hours, faster transactions, accessibility, less requirements, lower fees and is channeled through an online system via mobile applications.

InstaPay	• InstaPay was launched on April 23, 2018 as the latest Automated Clearing House (“ACH”) under the National Retail Payment System (“NRPS”) Framework by the BSP. • It is a real-time low-value electronic fund transfer credit push payment scheme for transactions amounts up to ₱50,000.00. • The platform is accessible 24/7 all year round through mobile application and internet banking facilities provided by participating banks and e-money issuers. • As of March 2019, there are 24 participating sender/receiver and 13 receiver automated clearing house participants. • BancNet is the designated clearing switch operator for InstaPay for a two (2) -year transitory period beginning from the time of its launch.
PESONet	• PesoNet was launched on November 08, 2017 as the first ACH under the NRPS Framework by the BSP. • It is a batch electronic fund transfer credit payment scheme, which can be considered an electronic alternative to the paper-based check system, which charges at no cost to the consumer. • The fund transfer and/or payment instructions are processed in bulk and cleared at batch intervals. Each payee will then receive the full value in their account within the same banking day, provided the payment instruction was sent within the cut-off time. • The Philippine Clearing House Corporation is the designated clearing switch operator for PESONet for a two (2) -year transitory period beginning the time of PESONet’s launch. • As of March 2019, there are 48 PESOnet participating institutions.

Geographical Coverage

The lack of banking offices in several regions in the Philippines has led to the emergence and growth of several other financial service providers such pawnshops, money changers, money transfer companies, remittance agents, and foreign exchange dealers. These entities have greatly helped in increasing the access to financial services in un-served and underserved regions in the Philippines. The advent of these financial service providers has been one of the most critical factors that have propelled the market of domestic remittances in the Philippines, as more and more people have sought to make use of a broad assortment of services offered by these players.[118]

In terms of number of outlets of financial service providers, Cebuana Lhuillier has the most number of domestic outlets at 2,287 branches, followed by Palawan Pawnshop with 1,565 branches, M Lhuillier with 1,429 branches, and LBC Express with 1,397 branches.

118 Ken Research

Domestic Money Remittance Outlets of Competitors[119] [120]

Region	Cebuana Lhuillier	Palawan Pawnshop	M Lhuillier	LBC Express	Banks[121]
NCR	533	89	196	412	3,739
Region I	125	125	65	49	621
CAR	25	87	13	14	186
Region II	67	94	55	30	425
Region III	273	129	167	150	1,286
Region IV-A	226	142	180	217	1,825
MIMAROPA	52	97	40	30	292
Region V	64	113	45	45	499
Region VI	184	127	114	93	704
Region VII	265	140	170	119	855
Region VIII	114	77	66	36	259
Region IX	51	71	79	26	238
Region X	83	94	82	49	407
Region XI	80	44	43	62	470
Region XII	70	55	49	30	275
Region XIII	57	63	40	23	216
ARMM	18	18	25	12	19
Total	**2,287**	**1,565**	**1,429**	**1,397**	**12,316**

The banks and financial service providers also expand their geographical presence through tie-ups with other banks or financial service providers. An example of this, BDO forged several partnership with other financial service providers, namely with Cebuana Lhuillier, M. Lhuillier, among others and vice versa. International financial service providers such as XOOM, and Western Union, among others also tied-up with banks and financial service providers such as BDO, Palawan Pawnshop, LBC Express, among others to be able to reach far-flung places in the Philippines where banks and financial service providers are present.

Informal Channels

Informal channels are remittance mediums that are not regulated by a government agency. These include money transfers that occur through private, unrecorded channels. Such private money transfers can include remittances brought by friends, relatives, and the migrant worker himself/herself.

A study done by ADB stated that remitters have shifted from informal channels to formal or regulated channels such as banks and money transfer agencies.[122] The shift is primarily due to lower remittance fees, growing financial literacy of remitters, and closure of unregulated money transfer agencies. Migrant workers and their families are current underserved the formal financial sector in many parts of Asia, the use of informal channels, such as sending through friends and relatives, continues to be widespread partly because banks charge high remittance fees.

[119] Respective Company Websites
[104] Outlets refer to the branches of the respective companies.
[121] Bangko Sentral ng Pilipinas
[122] "Enhancing the Efficiency of Overseas Filipino Workers Remittances" July 2004

Informal channels provide an easy, hassle-free service without the requirements for documentation and identification.123 These channels operate on the basis of close community ties and established relationships of trust between the service provider and the remittance sender and remittance recipient. Connections within this channel are developed through years of support of referrals/endorsements from users of the service.124

Remittances, when not channelled through the formal financial system, can cause a large amount of money flow into the country unregulated, untaxed, or unmonitored. These informal channels can also be used for money laundering, terrorism, smuggling and other illegal activities.125

The following provide discussion on informal channels.

"Padala" System

Padala is a Filipino term that means 'sending through another person'. This system involves sending money through relatives and friends returning home. Ordinarily, the carrier does not charge fees since the transaction is done as a favor or as a gesture of hospitality. It is frequently used by OFWs who have no access to formal remittance channels.

"Kaliwaan" System

The Kaliwaan System operates through a "well-tested network of currency exchange." 126 Transactions primarily involve the remittance operator's agent at the source country and the operator at the destination country. These agents do not impose regulatory restrictions in their arrangement of currency transfers.

Hand Carry System / "Cash Brought Home"

Like the Padala system, the hand carry system involves sending money through people who are en route to another destination country. The difference is that people who are a part of the exchange are individuals who: may have an expired work contract, or are on a vacation. Thus, the hand carry system usually consists of one-time requests.

Cryptocurrency and the Blockchain System

The blockchain is a decentralized ledger of all transactions across a peer-to-peer network. Using this technology, participants can confirm transactions without a need for a central clearing authority. Potential applications can include fund transfers, settling trades, voting, and many other issues. The process starts off with someone requesting a transaction that is then broadcasted to a P2P network consisting of computers, known as nodes. The network nodes validate the transaction and the user's status using known algorithms. The verified transaction can involve cryptocurrency, contracts, records, or other information. Once verified, the transaction is combined with other transactions to create a new block of data for the ledger. The new block is then added to the existing blockchain in a way that is permanent and unalterable (i.e. immutable). This last step completes the transaction. The advantages of using the blockchain technology include increased transparency, accurate tracking, permanence of the ledger, cost reduction, and quicker processing of transactions. On the other hand, disadvantages include complex technology, regulatory implications, implementation challenges, and competing platforms.[127] [128]

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123 "Workers' Remittance Flows in South East Asia" by ADB
124 "Workers' Remittance Flows in South East Asia" by ADB
125 "Remittances: An Economic Boost with Pitfalls" by ADB
126 "Workers' Remittance Flows in South East Asia" by ADB
127 https://www.pwc.com/us/en/industries/financial-services/fintech/bitcoin-blockchain-cryptocurrency.html

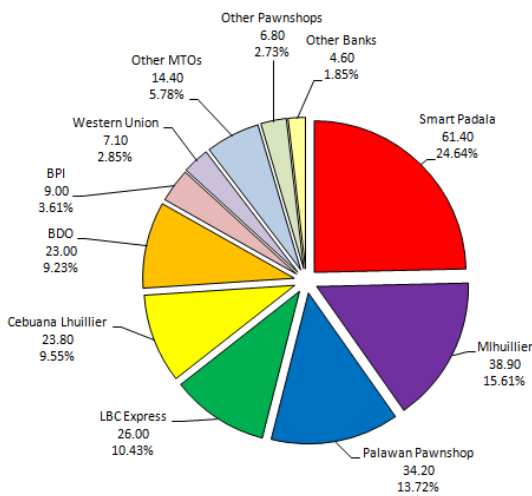
Cryptocurrency is a medium of exchange, created and stored electronically in the blockchain using encryption techniques to control the creation of monetary units and to verify the transfer of funds. Cryptocurrency has no intrinsic value in that it is not redeemable for another commodity, such as gold. It also has no physical form and exists only in the blockchain network. Its supply is further not determined by a central bank and the network is completely decentralized using the blockchain network.[129] Bitcoin and Ethereum tend to dominate the headlines when it comes to cryptocurrencies, but there are around 1,500 cryptocurrencies in circulation, with more added all the time.[130]

Cryptocurrency is a digital representation is denominated in its own unit of account. This can be distinguished from e-money, which is simply a digital payment mechanism representing and denominated in fiat money.[131]

Market Share[132]

In terms of market share by the number of transactions, Smart Padala, the money remittance unit of PayMaya, had the most transactions in 2018 at 61.40 million. This is followed by MLhuillier at 38.90 million, and Palawan Pawnshop at 34.20 million transactions.

Market Share of Remittance Players by Number of Transactions in Millions, 2018[133]



In terms of market share by the value of transactions, Palawan Pawnshop had the highest total value of transactions in 2018 at U.S.$2.11 billion. This is followed by Cebuana Lhuillier at U.S$1.88 billion, and Smart Padala at U.S.$1.6 billion value of transactions.

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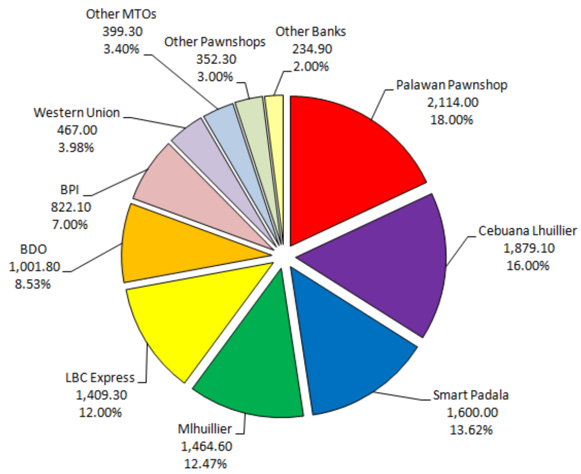
128 "Blockchain Powered Financial Inclusion" by World Bank
129 https://www.pwc.com/us/en/industries/financial-services/fintech/bitcoin-blockchain-cryptocurrency.html
130 https://www.telegraph.co.uk/technology/digital-money/top-10-popular-cryptocurrencies-2018/
131 "Distributed Ledger Technology (DLT) and Blockchain" by World Bank
132 Ken Research
133 Ken Research

Market Share of Remittance Players by Value of Transactions in U.S.$, 2018[134]



[134] Ken Research

REGULATORY

REGULATION OF FREIGHT FORWARDING IN THE PHILIPPINES

Republic Act No. 776 (“RA 776”) and Executive Order No. 514 (“EO 514”) are the principal statutes that provide the regulatory framework for freight forwarding by air and sea, respectively.

Freight Forwarding by Air

Under RA 776, as amended by Executive Order No. 217, and as further amended by Presidential Decree No. 1462, otherwise known as the “Civil Aeronautics Act of the Philippines”, the Civil Aeronautics Board (“CAB”) was given, among others, (1) the power to regulate the economic aspect of air transportation; and (2) general supervision and regulation of, and the jurisdiction and control over, air carriers, general sales agents, cargo sales agents, and airfreight forwarders including their property, property rights, equipment, facilities, and franchise.

Under RA 776, an air freight forwarder is defined as an indirect air carrier which, in the ordinary and usual course of its undertaking, assembles and consolidates or provides for assembling and consolidating such property or performs or provides for the performance of break-bulk and distributing operations with respect to consolidated shipments, and is responsible for the transportation of property from the point of receipt to point of destination and utilizes for the whole or any part of such transportation the services of a direct air carrier. As mandated by RA 776, an airfreight forwarder shall only be allowed to engage in its allowed activities as stated in the law if it has, in force, a permit or any other form of authorization issued by the CAB. RA 776 states that only “citizens of the Philippines” may engage in domestic air commerce or air transportation, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines.

Pursuant to the power and authority granted to the CAB under RA 776, the CAB issued Economic Regulation No. 4 otherwise known as the “Economic Regulation on Air Freight Forwarder and Off-line Carriers” (“ER-4”). Such regulation (as amended and updated) states that air freight forwarders shall, at all times, provide safe service, equipment and facilities in connection with air freight transportation, and shall establish, observe and enforce just and reasonable individual rates, fares and charges, and just and reasonable classifications, rules, regulations and practices relating to air freight transportation. In addition, air freight forwarders shall, upon request, give its customers or users, all information and assistance that they will need pertaining to its service. It shall be unlawful for any air freight forwarder to give undue preference or make unjust discrimination in his/her service to its customers. Air freight forwarders shall immediately conduct an investigation of all complaints referred to them involving their services and shall furnish the CAB a full report of such investigation. The CAB, through its officials, inspectors or agents, may, at any time conduct an inspection and investigation of the operation of any air freight forwarder or an examination or test of any equipment operated for public service. The refusal, obstruction or hindrance by the air freight forwarder or any of its employees to the investigation or inspection of its service or examination or test of any of its equipment, shall constitute a violation of ER-4 and shall be considered sufficient cause for the cancellation of its certificate of authority.

Each permit/certificate issued by the CAB shall be effective from the date specified therein and shall continue in effect until suspended or revoked or until the CAB shall certify that operation thereunder has ceased. If any service authorized by a permit/certificate is not inaugurated within a period of 90 days after the date of authorization as shall be fixed by the CAB or after such other period as may be designated by the CAB, the CAB may by order or direct that such permit/certificate shall thereupon cease to be effective to the extent of such service, No permit/certificate shall be issued for a period of more than 25 years.

ER-4 mandates that an air freight forwarder shall secure prior approval of the CAB before adopting a commercial or business name. Also, it provides that an air freight forwarder shall not cause, allow or in any other manner, help or consent to the registration in its name any equipment belonging to another and/or cause, allow or in any manner help or consent to the use of such equipment, under its certificate or letter of authority from the CAB. Each air freight forwarder shall follow strictly the schedule of rates prescribed by the Board and shall not change, alter, or in manner modify the same without previous authority of the CAB.

An air freight forwarder shall only engage in the performance of transfer, collection or delivery services if it has on file with the CAB a satisfactory certificate of insurance evidencing a properly endorsed policy of insurance, qualifications as a self-insurer (a self-insurance fund or other qualifications approved by the CAB), or surety bond, conditioned to pay within the amount of such insurance coverage any final judgment recovered against it on account of bodily injuries to or death of any person, of loss of or damage to property (other than property covered by the preceding paragraph) resulting from the negligent operation, maintenance or use of motor vehicle operated, by, or under, its direction and control.

Air freight forwarders are required to keep a record, in chronological order, of all accidents that may occur in connection with its operations. A detailed report of all accidents shall be submitted to the CAB within 30 days from date of occurrence. In addition, air freight forwarders are required to keep such accounts, books, and other records as are necessary to afford an intelligent understanding of its business, and such other records as may be required by the CAB. Lastly, air freight forwarders are required to file with the CAB on or before the first of March ever year or at such time as may otherwise be specified in each case, a detailed report of its finances and operations from the previous year.

With respect to operations conducted pursuant to the authority granted it, no air freight forwarder shall ship property by air except if operated in common carriage by air carriers whose tariffs for the transportation services thus utilized have been approved by the CAB. Air freight forwarders shall not directly engage in the operation of aircraft in air transportation; *provided*, however, that this limitation shall not be construed to prohibit charters of aircraft by an air freight forwarder from a direct air carrier operating charter trips and special services under the authority conferred by an applicable regulation or order of the CAB.

The authority granted to air freight forwarders by the CAB shall be subject to immediate suspension when, in the opinion of the CAB such action is required in the public interest. Suspensions may be imposed by the CAB, upon complaint, or upon motion of any person showing an interest therein, or upon the CAB’s own initiative, and after notice and hearing, for failure of an air freight forwarder to comply with the ER-4 or with any order, rules or regulations issued thereunder, or with any term, condition or limitation of the authority granted. Moreover, the authority granted to air freight forwarders shall be subject to revocation, after notice and hearing, for willful violation of any provisions of ER-4 or of any order, rules and regulations issued thereunder, or of any term, term, condition or limitation of the authority granted pursuant to RA 776 or ER-4. Such authority granted by the CAB to air freight forwarders shall be revoked without prejudice upon the filing by an airfreight forwarder of a written notice with the CAB indicating the discontinuance of air freight forwarding activities, together with the tender of the letter of authority of any proceeding or action is pending in which an air freight forwarder’s authority may be subject to suspension or revocation action. The failure of any air freight forwarder, for two successive periods, to file the periodic reports required, may be deemed by the CAB to constitute as the filing of such written notice indicating the discontinuance of the common carrier activities, and in such case the tender of the letter of authority shall not be necessary.

Freight Forwarding by Sea

Under EO 514, the Philippine Shippers' Council was converted into a regular agency of the Department of Trade and Industry ("DTI") known as Philippine Shippers' Bureau ("PSB"). EO 514 gives the PSB the following powers and functions:

(1) Promote and protect the common interests of Philippine exporters, importers and other commercial users of water transport; and maintain and foster close cooperation and mutual assistance among them;

(2) Conduct continuing consultations and negotiations with shipping companies, associations of shipping interest, government authorities and other institutions and persons, whether foreign or domestic, for the shipment of goods on time at reasonable rates and acceptable shipping terms and conditions;

(3) Mediate and/or arbitrate disputes between members of associations of shipping interests and between the said members and non-members;

(4) Serve as the clearing house of information on shipping service and other related matters;

(5) Recommend appropriate measures to promote and develop Philippine trade and commerce through the economical and efficient carriage of merchandise;

(6) Maintain and develop harmonious relationships and enter into mutually-beneficial arrangements with domestic and international shippers' associations or councils;

(7) Participate in conferences and present the government position concerning shipping policies and the promotion of export and import trade; and negotiate for reasonable freight rates at international shipping conferences and non-conference lines and trampers;

(8) Register and accredit non-vessel operating common carriers, freight forwarders, cargo consolidators and break-bulk agents in accordance with existing agreements and charge reasonable fees therefor;

(9) Implement the provisions of Presidential Decrees Nos. 917 and 1466 and their implementing rules and regulations governing freight booking and cargo consolidation; and seaborne transport, respectively; and

(10) Perform such other functions as may hereinafter be provided by law.

Pursuant to such power and authority, on November 23, 2005, the PSB issued PSB Administrative Order No. 06, series of 2005, otherwise known as the "Revised Rules on Freight Forwarding" (the "PSB Rules"). The rules provide that the PSB shall have visitorial power over accredited firms in order to effectively enforce and check compliance with the law, rules and regulation. In addition, the PSB may, to the extent necessary and as far as the PSB resources allow, conduct the following functions:

(1) To conduct studies on the sea freight forwarding industry to determine or verify the state of the Industry; its resources, problems, and prospects; number of people dependent on it for livelihood; extent of foreign participation in the capital and management; governmental assistance needed; the practices, acts, methods, schemes, arrangements, and modus operandi used in the Industry; and the Industry's desires and recommendations; and recommend to DTI the taking of promotional//developmental/remedial/ facilitation measures for the Industry;

(2) To prepare the draft policies, measures, Memoranda of Agreement, letters, Administrative Orders, Executive Orders, and Congressional Bills which may be necessary to effectuate its recommendations mentioned in the preceding paragraph, or which may be needed by PSB to carry out the objectives of the PSB Rules;

(3) To prescribe and promulgate Circulars and Orders;

(4) To enforce and monitor compliance with this Administrative Order, and the Circulars and other Orders issued by PSB; and

(5) To enforce the prescribed Code of Conduct and Ethical Standards for Freight Forwarders for the covered firms.

Under the PSB Rules, an international freight forwarder ("IFF") is defined as a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. An IFF can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign Non-Vessel Operating Common Carrier ("NVOCC") cargo consolidator named in a Master Bill of Lading as consignee of a consolidated shipment, and other related undertakings. The required minimum paid up capital of an IFF is ₱2,000,000.00 while its required minimum insurance coverage is ₱500,000.00. In contrast, a domestic freight forwarder ("DFF") is defined as an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client. The required minimum capital of a DFF is ₱250,000.00 while its required minimum insurance coverage is ₱250,000.00.

An IFF and DFF shall secure an accreditation with the PSB in order to conduct sea freight forwarding activities. The PSB issues a Certificate of Accreditation to a DFF and IFF to engage in the specific sea freight forwarding functions and/or category/ies it can operate. Every branch of a DFF and IFF must first be accredited before said branch can legally engage in the freight forwarding business. The Certificate of Accreditation has a life span of two years unless sooner cancelled under the PSB Rules. Its life span may also be cut short when it is automatically, or deemed revoked. The said Certificate shall not be transferred, alienated or inherited, in any manner. Official representatives of an accredited IFF or DFF firm are required to obtain PSB IDs. The life span of a PSB ID is co-terminus with the life span of the Certificate of Accreditation. Thus, the cancellation, suspension, expiration or automatic/deemed revocation of the Certificate of Accreditation shall result in the automatic cancellation, suspension, expiration or revocation of the PSB ID.

Accredited IFF and DFF firms must submit to the PSB photocopies of all inward and outward manifests covering consolidated shipments, when required by the PSB in protecting the interest of shippers and consignees. Every change in the board of directors of accredited IFF and DFF firms shall be reported in writing to the PSB within 15 days from the date when the change occurred, or was decided or approved. The resignation, termination of services, or appointment of the accredited IFF and DFF firm's operations manager or chief operating officer or equivalent or branch manager shall be reported in writing to the PSB within 15 days from the date of such resignation, termination or appointment. In addition, every change of officers/agents/key personnel abroad must be reported in writing to the PSB within 30 days from the date the resignation/termination/appointment was made. Further, accredited IFF and DFF firms are required to comply with the following:

(1) To renew, without delay, its cargo insurance coverage within 30 days from receipt of the renewal policy;

(2) To submit to the PSB a quarterly cargo statistics report within 30 days after the lapse of the quarter covered by the report;

(3) To submit to the PSB annual financial statements within 30 days after the required filing date set by the BIR for corporate/individual tax returns;

(4) To submit to the PSB a copy of the Amended Articles of Incorporation (if any) within 30 days from the date the firm received from SEC the said document; and

(5) To report in writing to PSB the change of address of the Office or warehouse of the firm (if any), within 5 days from the date the change was made.

In connection with the activities, duties, and obligations of accredited IFF and DFF firms, the following acts and omission are considered unlawful under the PSB Rules:

(1) Engaging in or transacting business by a firm, operating either as a main, sole, or branch office, without prior accreditation;

(2) Misrepresentation by a firm that it has a subsisting accreditation;

(3) Using a subsisting accreditation by another with authority from an accredited firm;

(4) Failure to display the valid and original copy of Certificate of Accreditation;

(5) Transacting business through an accredited firm's representative without the required PSB I.D.;

(6) Refusal/Failure to comply with any of the obligations mentioned in the PSB Rules, or the submission under said Rule of report/s, document/s or paper/s which are false, or which contain false/misleading data;

(7) Misrepresentation by the applicant, of any material fact in obtaining the accreditation, or any other certification/s or documents;

(8) Transferring or authorizing of an accredited firm to another, in whatever manner, its accreditation;

(9) Refusal or failure of an accredited firm to comply with lawful orders/administrative issuances and/or circulars of PSB;

(10) Violation by covered firm of the Code of Conduct and Ethical Standards for Freight Forwarders;

(11) Overcharging;

(12) Collecting and charging of fees not prescribed by PSB;

(13) Failure to deliver cargo as required in the transport document;

(14) Failure to deliver cargo to its rightful owner;

(15) Failure to comply with its contractual obligation to the shipper;

(16) Grant of Rebates;

(17) Delinquent freight forwarders;

(18) Refusal, prevention, obstruction, delay, harassment of the exercise of the PSB of its visitorial powers;

(19) Refusal or failure to comply with the subpoena or subpoena duces tecum issued by a PSB official or the refusal to be sworn to prior to giving of testimony, answer of pertinent questions or giving of false testimony or producing records or documents that are false or which contains false / misleading data on a material respect; and

(20) Refusal of failure to submit on time, the required report, data, paper or the like or to submit a data, report, paper or the like which is false/incomplete/blurred, or which contains false, misleading data on any material respect.

In enforcing its rules and imposing the violations stated above, the PSB may conduct mediation proceedings and may exercise its contempt powers, power to administer oaths and affirmations and issue subpoena and subpoena duces tecum. The PSB Rules provide the sanctions and penalties for the above stated violations.

International Air Freight Forwarding

Section 8, Article XII of the Philippine Constitution limits foreign equity participation in entities operating public utilities to forty percent (40%) of the company's outstanding capital stock.

With respect to the air freight forwarding business, this nationality requirement has been construed by the Department of Justice to apply only to entities engaged in domestic air commerce and/or air transportation, and not to international airfreight forwarders (Department of Justice Opinion No, 012, Series of 2011, 23 February 2011 in relation to Section 12 of RA 776).

However, in *Merit Freight International v. Federal Express Pacific, Inc.* (CA-G.R. SP No. 119658, 23 January 2013) and *Ace Logistics v. Federal Express Pacific Inc.* (CA-G.R. SP. No. 121661, 23 January 2013), which involved a complaint against the grant of a provisional and regular permit to Federal Express to operate as an international airfreight forwarder, the Court of Appeals ruled that Federal Express is disqualified from operating as such, being in violation of the nationality requirement under the 1987 Constitution.

The Court of Appeals noted the existence of the DOJ Opinion ruling that the nationality requirement does not cover international airfreight forwarders. However, the Court of Appeals stated that although the DOJ Opinion is persuasive, it is not binding upon the courts. Contrary to the DOJ Opinion, the Court of Appeals ruled that as a public utility, an international airfreight forwarder is subject to the nationality restrictions embodied in the Constitution.

Freight Forwarder's Liability as a Common Carrier

In *Unsworth Transport International (Phils.), Inc. v. Court of Appeals* (G.R. No. 166250, 26 July 2010), the Supreme Court ruled that a freight forwarder is a firm that holds itself out to the public (other than as a pipeline, rail, motor, or water carrier) to provide transportation of property for compensation and, in the ordinary course of business, (1) to assemble and consolidate, or to provide for assembling and consolidating, shipments, and to perform or provide for break-bulk and distribution operations of the shipments; (2) to assume responsibility for the transportation of goods from the place of receipt to the place of destination; and (3) to use for any part of the transportation a carrier subject to the federal law pertaining to common carriers. Ordinarily, the service of a freight forwarder includes the assumption of responsibility for the transportation of property from the place of receipt to the place of destination. As such, a freight forwarder's liability is generally limited to the damages arising from its own negligence, which includes negligence in choosing the carrier. However, where the freight forwarder does not simply arrange for the transportation of goods but also contracts for the delivery of the goods to their destination, the freight forwarder assumes the responsibility of a common carrier for loss or damage to the goods, even if the freight forwarder does not carry the goods itself.

The treatment of a freight forwarder as a common carrier increases the standard of diligence required and the concomitant potential liability for damages. Common carriers are saddled with the exercise of extraordinary diligence in transporting goods. Where damage or loss occurs, the common carrier is presumed to have been at fault or negligent, unless they are able to prove that they exercised the requisite extraordinary diligence.

REGULATION OF PRIVATE EXPRESS AND MESSENGERIAL DELIVERY SERVICES IN THE PHILIPPINES

DOTC Regulations

Under Republic Act No. 7354, otherwise known as the "Postal Service Act of 1992", the Department of Transportation and Communications (the "DOTC") was given the exclusive power and authority to regulate the postal delivery services industry or those engaged in domestic postal commerce, including the registration and prequalification of any natural or juridical person, other than freight forwarders, who engage in the business of letter and parcel messengerial services, door-to-door delivery, or the transporting of the property of others that are similar to mail or parcel. Pursuant to such authority, on January 23, 2001, the DOTC issued Department Circular No. 2001-01 known as the "Rules and Regulations in the Processing, Hearing and Adjudication of Applications for Authority to Operate Private Express and/or Messenger Delivery Service, and in Investigation of Complaints in connection with the Operation of such Services" (the "DOTC Rules").

The DOTC Rules provide that only Filipino citizens or corporations or partnerships duly registered with the Securities and Exchange Commission, at least 60% of whose capital stock or shares is owned by Filipino citizens may apply to operate private express and/or messenger delivery services in the Philippines. Further, the executive and managing officers of such applicant are also required to be citizens of the Philippines. If assessed favorably, and after complying with the substantive and procedural requirements under the DOTC Rules, the applicant may be granted an authority by the Secretary of the DOTC to operate private express and/or messenger delivery services, which authority may be renewed, upon application, on a graduated scale (i.e., 1 to 5 years) an shall be renewable thereafter every five years. A copy of the authority granted shall also be furnished to the Private Express and Messengerial Association of the Philippines. Moreover, the authority granted may be amended, suspended, or cancelled when the public interest so requires or whenever the holder thereof has violated any order, rule or regulation prescribed by the DOTC.

The DOTC Rules further provide that each firm duly authorized to engage in the business of private express and/or messengerial delivery services in the Philippines must secure a Messenger's Work License, for every person employed as a messenger of such firm, from the DOTC. The Messenger's Work License shall be valid for two years and may be renewed for the same period, after the messenger concerned is ascertained to have no derogatory record. The Messenger's Work License may be cancelled/revoked, if after due notice and hearing, the messenger concerned is found guilty of grave misconduct or dishonesty in the performance of his or her assigned work.

In 2001, the DOTC also issued Administrative Order No. 2001-01 known as the "Guidelines in the Uniform Application of Penalties for Offenses Committed by Private Express and/or Messengerial Delivery Service Firms of Their Employees" (the "DOTC Guidelines"). The DOTC Guidelines classify punishable acts as grave, less grave and light offenses. Erring firms and/or their employees may be subject to a fine, suspension, cancellation/revocation of authority and/or criminal prosecution and perpetual disqualification of officials and employees to work in messengerial services. Under the DOTC Guidelines, the following are the punishable acts:

A. Grave offenses: (1) Gross neglect of duty resulting in the damage or pecuniary loss to the mailing public; (2) Mail pilferage or infidelity in the custody of mails due to the fault, negligence or indifference of operators or their authorized officials or employees; (3) Knowingly, willfully, or intentionally accepting the delivery of subversive, obscene or indecent magazines, publications or materials, prohibited drugs and all matters which are absolutely non-mailable under the Philippine Postal Law, rules and regulations; (4) Fraud or deceit in securing authority to operate express and/or messengerial delivery service for extension or renewal thereof; (5) Transfer of rights in or interests over the authority to operate express and/or messengerial delivery service without prior approval of the Secretary of the DOTC; (6) Allowing other persons or entities to operate under one's authority to operate express and/or messengerial delivery service, under a contract of agency, on commission basis or other arrangements, without prior approval of the DOTC Secretary; (7) Accepting and delivering mail matters without an "Authority to Operate a Private Express and/or Messengerial Delivery Service" issued by the Secretary of the DOTC; (8) Operating with revoked, suspended or expired authority, unless in the case of the latter, a petition for extension has been properly and reasonably filed with the Secretary of the DOTC before said expiration; (9) Opening/operating branch/branches in unauthorized places or accepting and delivering mails at places where the firm is not duly authorized to operate; (10) Accepting foreign or local mails and using the postal facilities for remailing activities; (11) Preventing duly authorized officials of this department from inspecting the mails, office premises, equipment and facilities, or concealing specific records of transactions and operations from such officials without justifiable reason; (12) Engaging in ruinous or unfair competition with other firms similarly engaged in private express and/or messengerial delivery service; (13) Willful violation of the provisions of Republic Act No. 7354 and its implementing rules and regulations, administrative orders, circulars, memoranda, and other similar issuances/decrees; (14) Intentional delay in the delivery of mails unless for a just cause; (15) Knowingly engaging the services of the Letter Carrier of the Philippine Postal Corporation who are still in the service; and/or messengers of other authorized operator; (16) Recidivism; (17) Knowingly submitting a surety bond contracted with a bonding company not authorized by the Philippine Insurance Commission to operate during the period covered; and (18) Accepting the employment of messengers without the Messenger's Work License as required under Section 9 of Department Circular No. 2001-01.

B. Less grave offenses: (1) Opening branch/branches at authorized places without notifying the Secretary of the DOTC within 10 days prior to actual operations; (2) Allowing messengers to deliver mails without suitable containers where mails are kept to prevent them from being damaged or lost in transit; (3) Delivering mails without the office logo, or the amount charged, or date of posting/date of receipt indicated on their covers; (4) Refusal to pay upon demand fines imposed by the DOTC Secretary, as provided for in these guidelines; (5) Accepting bulk-mails for delivery or entering into a delivery contract whereby mails are charged by bulk not by piece; (6) Submission of untruthful quarterly report.

C. Light offenses: (1) Operating without posting the required surety bond or failure to renew said surety bond on or before its expiration; (2) Failure to return "Return To Sender" (RTS) mails by the office of delivery to the office of posting within 15 days; (3) Failure to return "Return To Sender" (RTS) mails to the sender within 15 days from receipt at the office of posting; (4) Allowing messengers to deliver mails/parcels without wearing the proper ID; and (5) Failure to submit Quarterly Production Reports within 30 days after the end of the quarter and Semi-Annual Management Report including a list of company's employees, furniture and fixtures and equipment within 30 days after the close of the corresponding semester.

The Secretary of the DOTC shall also exercise the following powers, if, in his/her sound judgment, postal laws have been or are being or about to be violated:

(1) To conduct searches of any vehicle, vessel or aircraft for stolen mail matter or any mail matter being transported in violation of law, whenever there is reasonable ground to believe that such prohibited mail matter is contained therein;

(2) To issue search warrants under the same conditions prescribed for judicial officers, authorizing the search of any place not used as a dwelling, for any stolen mail matters;

(3) To order and cause the arrest of persons and seizure of mail matters and other property for violation of any postal law; and

(4) To offer and pay rewards for information and services in connection with violations of the postal law.

ICTO (formerly CICT) Regulation

The Commission on Information and Communication Technology ("CICT") was created in 2004 and attached to the Office of the President by Executive Order No. 269. The CICT was the primary policy, implementing, and regulating entity for the promotion and development of integrated and strategic information and communications technology systems and communication facilities and services. Among the functions transferred to the CICT included the responsibilities of the DOTC relating to communications, and the authority to establish and prescribe rules and regulations for the operation and maintenance of a nationwide postal system that shall include mail processing, delivery services, and money order services.

In 2011, President Aquino issued Executive Order No. 47 renaming the CICT as the Information and Communications Technology Office ("ICTO"), transferring the former's functions to the latter, and placed the ICTO under the technical and administrative supervision of Department of Science and Technology ("DOST"). Among others, the ICTO is tasked with the implementation of the government's ICT-related initiatives.

Applications for authority or renewal of authority to operate private express and/or messengerial delivery entities as described earlier, are currently dealt with by the ICTO.

REGULATION OF REMITTANCE AGENTS IN THE PHILIPPINES

BSP Registration

Under Bangko Sentral ng Pilipinas ("BSP") Circular No. 471, series of 2005, all qualified persons or non-bank institutions who intend to act as foreign exchange dealers/money changers and/or remittance agents are required to register with the BSP, before they can operate as such.

Foreign exchange dealers or money changers refer to those regularly engaged in the business of buying and/or selling foreign currencies. On the other hand, remittance agents refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity. These include money or cash counters, money transmission agents, remittance companies and the like.

Upon approval of the application of the foreign exchange dealer/money changer or remittance agent, a certificate of registration shall be issued by the BSP.

Under BSP Circular No. 534-06, foreign exchange dealers/money changers and remittance agents, providing overseas remittance services are required to disclose certain information to the remittance sender and to the recipient/beneficiary, including transfer/remittance fees, exchange rates, exchange rate differential/spread, other currency conversions charges, other related charges, amount/currency paid out in the recipient country, and the delivery time to recipients/beneficiaries. The same information must be posted in the website of non-bank remittance service providers, as well as displayed prominently in conspicuous places within their premises and/or remittance/service centers.

All foreign exchange dealers/money changers and/or remittance agents are likewise required to comply with the applicable provisions of Republic Act No. 7653 (The New Central Bank Act) and Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the *Philippine Anti-Money Laundering Act of 2001*.

Anti-Money Laundering Act (Republic Act No. 9160)

Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the *Philippine Anti-Money Laundering Act of 2001* ("AMLA"), proscribes any act where the proceeds of an unlawful activity are transacted, making such proceeds appear to have originated from legitimate sources. Under the AMLA, money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

(a) Transacts said monetary instrument or property;

(b) Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;

(c) Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;

(d) Attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c). The penalties for acts committed under paragraphs (a), (b) or (c) are imprisonment ranging from 7 to 14 years and a fine of not less than ₱3,000,000 but not more than twice the value of the monetary instrument or property involved in the offense;

(e) Aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and

(f) Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above. The penalties for acts committed under paragraphs (e) and (f) are imprisonment from 4 to 7 years and a fine of not less than P 1,500,000.00 but not more than ₱3,000,000.00.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the AMLC, fails to do so. The penalty for this act is imprisonment from 6 months to 4 years or a fine of not less than ₱100,000.00 but not more than ₱500,000.00), or both.

Under the AMLA, a "covered person", whether natural or juridical, refers to: (1) banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities and all other persons and their subsidiaries and affiliates supervised or regulated by the

BSP; (2) insurance companies, pre-need companies and all other persons supervised or regulated by the Insurance Commission ("IC"); (3) (i) securities dealers, brokers, salesmen, investment houses and other similar persons managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, close-end investment companies, common trust funds, and other similar persons, and (iii) other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property supervised or regulated by the SEC; (4) jewelry dealers in precious metals, who, as a business, trade in precious metals, for transactions in excess of One million pesos (₱1,000,000.00); (5) jewelry dealers in precious stones, who, as a business, trade in precious stones, for transactions in excess of One million pesos (₱1,000,000.00); (6)company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and (7) persons who provide any of the following services: (i) managing of client money, securities or other assets; (ii) management of bank, savings or securities accounts; (iii) organization of contributions for the creation, operation or management of companies; and (iv) creation, operation or management of juridical persons or arrangements, and buying and selling business entities. The types of transactions to which the AMLA applies are divided into two groups: (a) covered transactions, which pertains to all transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000 within one banking day; and (b) suspicious transactions, regardless of the amount involved, where any of the following circumstances exist:

(1) There is no underlying legal or trade obligation, purpose or economic justification;

(2) The client is not properly identified;

(3) The amount involved is not commensurate with the business or financial capacity of the client;

(4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Anti-Money Laundering Act;

(5) Any circumstances relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered institutions;

(6) The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the Anti-Money Laundering Act that is about to be, is being or has been committed; or

(7) Any transaction that is similar, analogous or identical to any of the foregoing.

Covered persons are obliged to establish and identify the true identity of its customers, develop risk-based customer identification processes, conduct enhanced due diligence for customers assessed as high risk for money laundering and terrorist financing, as well as report all covered and suspicious transactions to the AMLC within five working days from occurrence thereof, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days.

The BSP requires all registered remittance agents to maintain accurate and meaningful originator information on funds transferred/remitted by requiring the sender/remitter to fill up and sign an application form, which shall contain minimum data and information, such as, but not limited to, the printed name and signature of remitter, permanent address, nationality, amount and currency to be remitted and source of foreign currency for individuals. For corporate/juridical customers, in addition to a signed application containing the information on such corporation or entity, a photocopy of the authority and identification of the person purporting to act in behalf of such customer shall be required.

Covered persons are also obliged to require their customers which are foreign exchange dealers, money changers and remittance agents, to submit a copy of the certificate of registration issued to them by the BSP as part of their customer identification requirement. Such customers shall be subject to enhanced due diligence in accordance with the AMLA.

Covered persons are also subject to record keeping requirements – all records of all transactions of such covered persons must be maintained and safely stored for five (5) years from the dates of the transactions. Further, all covered persons are required to formulate and implement their Anti-Money Laundering/Combating the Financing of Terrorism Programs in accordance with the AMLA.

Covered persons are likewise required to register with the AMLC for a username, password and institution code assignment in accordance with Section X807.4 of BSP Circular No. 706 dated 5 January 2011.

ENVIRONMENTAL

LBC Express incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

DATA PRIVACY LAWS

Data Privacy Act

The Philippine government enacted legislation with the aim to protect the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the "Data Privacy Act of 2012," applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term data collectors refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's articles of incorporation as amended on October 12, 2015, the Board consists of nine members. As of the date of this Prospectus, two members of the Board are independent directors. Eight of the incumbent directors were duly elected during the Company's annual shareholders' meeting on July 9, 2018, and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of the date of this Prospectus.

Name	Age	Nationality	Position
Miguel Angel A. Camahort .	56	Filipino	Chairman of the Board
Enrique V. Rey, Jr.	48	Filipino	Director
Rene E. Fuentes...................	45	Filipino	Director
Mark Werner J. Rosal..........	44	Filipino	Director
Augusto Gan	56	Filipino	Director
Anthony A. Abad	55	Filipino	Independent Director
Jason Michael Rosenblatt	42	American	Director
Luis N. Yu, Jr.	63	Filipino	Independent Director
Solita V. Delantar................	75	Filipino	Independent Director

The business experience of each of the directors is set forth below.

Miguel Angel A. Camahort

Chairman of the Board, Chief Executive Officer and President

Mr. Miguel Angel A. Camahort was elected as a Director, Chairman of the Board and President of the Company in May 2015. He has been a Director and President of LBC Express since December 2012. He has also been the President of LBC Express Corporate Solutions, Inc., the subsidiary operating the "Print and Mail" business of LBC Express, since October 2009. Mr. Camahort concurrently serves on the Board of Directors of the United Football League. Prior to joining the LBC Group, Mr. Camahort was a Senior Vice President and the Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009 and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice President and the Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003, prior to which he was the President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR) from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Enrique V. Rey, Jr.

Director

Mr. Enrique V. Rey Jr. was elected as a Director of the Company in October 2015. He assumed the position of Investor Relations Officer of the Company in September 2015, and was appointed the Chief Financial Officer in

September 2017 after being an officer-in-charge for the same position since December 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also attended INSEAD and received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Rene E. Fuentes

Director

Mr. Rene E. Fuentes was elected as Director of the Company in October 2015. He has been an officer of LBC Express since October 2001 and was appointed Senior Vice President for Global Retail Operations of LBC Express in January 2015. He was elected as Director of LBC Express on December 6, 2018. Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended De La Salle University and completed a Key Executive Program in November 2013 at the Harvard Business School.

Mark Werner J. Rosal

Director

Atty. Mark Werner J. Rosal was elected as a Director of the Company in April 2015. Born in Cebu City, Atty. Rosal, prior to taking up law, has a Bachelor's Degree in Physical Therapy from Cebu Velez College and is a licensed Physical Therapist. Atty. Rosal graduated in the top 5% of his law school batch at the University of San Carlos, Cebu City, in 2002 and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Diaz Bacalla and Fortuna Law Offices, a Cebu-based law firm. As part of his law practice as retained counsel of private corporations, he is a director (holding nominal shares) of Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., and Sem-Ros Food Corp. (a non-operational corporation).

Augusto Gan

Director

Mr. Augusto G. Gan was elected as a Director of the Company in October 2015. He was also elected as a Director of LBC Express in September 2015. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp of the Philippines, Pick Szeged ZRT, Sole-Mizo Zrt and Netvoice Inc. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Anthony A. Abad

Director

Atty. Anthony A. Abad was elected as a Director of the Company in August 2017. He is currently the CEO and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He graduated from the Harvard University – John F. Kennedy School of Government with a Master's Degree in Public Administration, and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Jason Michael Rosenblatt

Director

Mr. Jason Rosenblatt was elected as a Director of the Company in March 2018. He has been a Partner at Crescent Point, a private equity and investment firm based in Singapore, since October 2012. His previous positions include: Laurasia Capital Management, Director (March 2011 to September 2012); Standard Bank, Global Head of Special Situations (May to November 2010); DKR Oasis, Head of Principal Strategies (January 2007 to March 2010); Ritchie Capital Management, Director (March 2005 to January 2007); McKinsey Company, Associate (September 2003 to March 2005); and Bank One, Associate (June 1998 to May 2003).

Solita V. Delantar

Independent Director

Ms. Solita V. Delantar was elected as a Director of the Company in May 2015. Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 – September 2003), Consultant (July 1997 – July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

Luis N. Yu, Jr.

Independent Director

Mr. Luis Yu, Jr. was elected as a Director of the Company in April 2015. He is the Founder and Chairman Emeritus of the 8990 Holdings, Inc. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

The table below sets forth each member of the Company's senior management as of the date of this Prospectus.

Name	Age	Nationality	Position
Miguel Angel A. Camahort .	56	Filipino	President and Chief Executive Officer
Enrique V. Rey, Jr.	48	Filipino	Investor Relations Officer, Chief Finance Officer, Chief Risk Officer
Rosalie Infantado	43	Filipino	Treasurer
Cristina S. Palma Gil-Fernandez.	50	Filipino	Corporate Secretary
Mahleene G. Go...................	38	Filipino	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ernesto C. Naval III	26	Filipino	Alternate Corporate Information Officer
Jeric C. Baquiran	40	Filipino	Chief Audit Executive

The business experience of each of the Company's senior management is set forth below.

Miguel Angel A. Camahort

President and Chief Executive Officer

Please refer to the table of Directors above.

Enrique V. Rey Jr.

Investor Relations Officer, Chief Finance Officer and Chief Risk Officer

Please refer to the table of Directors above.

Rosalie Infantado

Treasurer

Ms. Infantado assumed the position of Treasurer of the Company in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997, and has been a Certified Public Accountant since 1998. She was appointed Vice-President - Financial Reporting and Analysis at LBC Express in September 2013. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado's previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat SanAgustin & Co.) from 2011 to 2013, Concordia Advisors (Bermuda) Ltd. From 2006 to 2009, CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCooper Philippines.

Cristina S. Palma-Gil Fernandez

Corporate Secretary

Cristina Palma-Gil Fernandez: Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has over 19 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate.

Mahleene G. Go

Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of the Company in September 2015. Born on 25 April 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Senior Associate at the same office. She currently serves as Trustee and Corporate Secretary for Center for Empowerment and Resource and Development, Inc.

Ernesto C. Naval III

Alternate Corporate Information Officer

Atty. Ernesto C. Naval III assumed the position of Alternate Corporate Information Officer of the Company in June 2018. Atty. Naval graduated with a Bachelor of Science degree, Major in Management, from Ateneo de Manila University in 2013, and with a Juris Doctor degree also from Ateneo de Manila University – School of Law in 2017. He is currently a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices.

Jeric C. Baquiran

Chief Audit Executive

Mr. Jeric C. Baquiran was appointed Chief Audit Executive of the Company in March 2019. He joined LBC Express in 2006, and since 2015 has lead the Corporate Audit department for the company, as Senior Manager of the Corporate Audit Department. Mr. Baquiran graduated from Saint Mary's University, Bayombong, with a Bachelor of Science degree in Accountancy in 1999. He passed the Certified Public Accountancy Licensure Examination in May 2000. Prior to joining LBC, he held audit positions at DCCD Engineering Corporation (2000 to 2003), and Lapanday Foods Corporation (2003 to 2005).

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

The Company believes that, except as discussed below, none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus: (1) had any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board prohibited LBC Bank (which is controlled by the Araneta Family) from doing business in the Philippines, ordered it closed, and placed it under the receivership of the PDIC based on the following:

1. LBC Bank has insufficient realizable assets to meet liabilities;

2. LBC Bank cannot continue in business without involving probable losses to its depositors and creditors; and

3. LBC Bank has willfully violated the Cease and Desist Order of the Monetary Board dated 12 March 2010 for acts or transactions which are considered unsafe and unsound banking practices and other acts or transactions constituting fraud or dissipation of the assets of the institution and considering the failure of the Board of Directors/management of LBC Bank to restore the bank's financial health and viability despite considerable time given to address the financial problems, and that the bank had been accorded due process.

The PDIC thereafter stepped in as receiver and prepared its report on LBC Bank's status. Based on the Rehabilitation Report of PDIC, the conclusion/ recommendation was that LBC Bank could not be rehabilitated or otherwise placed in such a condition that it can be permitted to resume business with safety to its depositors, creditors, and the general public considering that:

1. the estimated realizable value of its assets (ERVA) as of 31 December 2011 in the amount of Php1.7 billion is deficient by Php4.96 billion to cover estimated liabilities aggregating to Php6.6 billion. Additional capital infusion of Php5.96 billion is needed to meet the Php1 billion minimum capital requirement for a thrift bank with head office located in Metro Manila; and

2. the rehabilitation proposal submitted by the LBC Group of Companies and the Rizal Banking Corporation via asset purchase agreement was found not viable.

On 5 July 2012, the MB of the BSP issued Resolution No. 1088 directing PDIC to proceed with the liquidation of LBC Bank on the basis of the Rehabilitation Report.

The PDIC has filed various criminal and administrative complaints against certain members of the Araneta Family in relation to the receivership of LBC Bank, which are described below:

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (the "DOJ"). The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15D-00125. PDIC alleged that the Araneta Siblings, in conspiracy with the other respondents, made it appear that they infused capital into LBC Bank in the amount of approximately 39 Million Pesos to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On April 18, 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice ("SOJ") on May 25, 2016. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15H-00315. PDIC alleged, among others, that LBC Bank took out a 30 Million Peso loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBC Development Corporation who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on March 28, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15J-00397. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately 50 Million Pesos, which were secured by a Hold-Put Agreement on LBC's existing Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advance to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-15K-00414. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in Advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. The complaint is entitled *"Philippine Deposit Insurance Corporation vs. Juan Carlos G. Araneta, et. al."* and docketed as NPS Docket No. XVI-INV-16D-00128. PDIC alleged that the respondents committed acts or omissions constituting unsafe and unsound business practice by entering into Service Agreements with LBC Express, whose terms were supposedly manifestly and grossly disadvantageous to Bank. The respondents allegedly failed to enforce payment of service fees, thereby causing undue injury and/or unwarranted benefits, advantage, or preference to LBC Express through manifest partiality and bad faith that resulted in a material loss or damage to the liquidity or solvency of LBC Bank and to the latter's depositors, creditors, and the general public. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. They further allege that the complaint does not actually impute any specific criminal action to each of them individually. The case was submitted for resolution of the investigating prosecutor on August 11, 2016 and is still currently pending.

- An administrative complaint was filed by the PDIC before the Office of the Special Investigation (OSI) BSP against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The administrative complaint is entitled *"Philippine Deposit Insurance Corporation vs. Ma. Eliza G. Berenguer, et. al."* and docketed as OSI-AC-No. 2016-003. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a Resolution dated September 14, 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated March 6, 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about March 12, 2018. The case before the SBCEG is entitled *"In Re: Administrative Case against Ma. Eliza G. Berenguer, et. al.,"* and docketed as Administrative Case No. 2018-092. The Aranetas intend to file their respective Answers to the formal charges and present their evidence when the case is set for trial. The Aranetas also intend to pursue other remedies against the resolutions of the OSI.

- Mr. Juan Carlos Araneta, Mr. Fernando Araneta, and Mr. Santiago Araneta were named as respondents in their capacity as directors of LBC Bank in a complaint for violation of Section 55.1 (a) of the General Banking Law and Subsection X306.3 of the Manual of Regulations for Banks in relation to Section 36 of the New Central Bank Act that was filed by the Bangko Sentral ng Pilipinas (BSP) with the DOJ. The complaint is entitled *"Bangko Sentral ng Pilipinas vs. Ma. Eliza G. Berenguer, et. al."* and docketed as NPS Docket No. XVI-INV-16L-00383. The complaint alleged that the amortizations for certain loans by related parties were allegedly simulated and that the Bank did not receive actual payment. Furthermore, the same loans by such related parties were allowed to be renewed and restructured under terms favourable to the borrowers, to the prejudice of the bank. The case is currently undergoing preliminary investigation before the city prosecutor. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations. The case was submitted for resolution of the investigating prosecutor on October 4, 2017 and is still currently pending.

On November 16, 2018, Mr. Santiago Araneta and Mr. Juan Carlos Araneta received, via registered mail, letters from the BSP ISD II, informing them that the Monetary Board, under Resolution No. 1716 dated October 28, 2018 has approved the inclusion of their names in the BSP Masterlist of Watchlisted Persons – Disqualification File "B" (Temporary) (the "BSP Watchlist") and temporarily disqualifying them from becoming a director and/or officer in any BSP-supervised financial institution. Mr. Fernando Araneta received the same letter on November 21, 2018. As a result of their inclusion in the BSP Watchlist, Mr. Santiago Araneta and Mr. Fernando Araneta vacated their positions as directors of LBC Express, and an election was held last December 6, 2018 to fill in the positions they vacated.

CORPORATE GOVERNANCE

To comply with SEC Memorandum Circular No. 19, Series of 2016, issued by the SEC on November 22, 2016, the Company amended its Manual on Corporate Governance (the "Manual"), which was approved by the Board of Directors on May 26, 2017.

As of December 31, 2017, the Company remains substantially in compliance with and has no material deviation from its Manual and no sanctions were imposed on any director, officer or employee on account of non-compliance with the same.

The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent SEC circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. The Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members and members of the Committees. There has been no deviation from the Manual's standards as of the date of this Prospectus.

The Company has already been able to complete the required changes in the latest board composition requirements as instituted in its Manual. The Company has a robust internal audit system as well as external audit engagements. The Company also plans to engage the services of an external firm to independently review its governance practices and in the process create an evaluation system that is independent.

COMMITTEES OF THE BOARD

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Company's Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. The Audit Committee shall consist of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman, should be independent. All of the members of the committee must have accounting, audit and finance backgrounds. Each member shall have adequate understanding at least or competence at most of the Company's financial management systems. The Audit Committee reports to the

Board and is expected to meet at least quarterly. The chair of the Audit Committee should not be the chairman of the Board or of any other committees and should be an independent director.

The Audit Committee has the following functions:

A. Financial Statements

(i) Reviews and approves the interim and annual financial statements before their submission to the Board of Directors with particular focus on the following matters:

- Any change/s in accounting policies and practices
- Areas where a significant amount of judgment has been exercised
- Significant adjustments resulting from the audit o Going concern assumptions
- Compliance with accounting standards
- Compliance with tax, legal and regulatory requirements

B. Internal Audit

(ii) Recommends the approval the internal audit charter, which formally defines the role of internal audit and the audit plan as well as oversees the implementation of the internal audit charter;

(iii) Through the internal audit department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the company's financial data, and (d) ensure compliance with applicable laws and regulations;

(iv) Oversees the internal audit department, and recommends the appointment and/or grounds for approval of an internal audit head or chief audit executive. The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;

(v) Establishes and identifies the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he should directly report to the Audit Committee; and

(vi) Reviews and monitors Management's responsiveness to the internal auditor's findings and recommendations.

C. External Audit

(vii) Prior to the commencement of the audit, discusses with the external auditor the nature, scope and expenses of the audit, and ensures the proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;

(viii) Evaluates and determines the non-audit work, if any, of the external auditor, and periodically reviews the non-audit fees paid to the external auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report and annual corporate governance report;

(ix) Reviews the disposition of the recommendations in the external auditor's management letter;

(x) Recommends to the Board of Directors the appointment, reappointment, removal and fees of the external auditor, duly accredited by the SEC, who undertakes an independent audit of the Company, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

(xi) Performs oversight functions over the Company's internal and external auditors. It ensures the independence of internal and external Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

D. Other Functions

(xi) Perform such other powers and functions as set forth in the Company's Manual of Corporate Governance; and

(xii) Perform such other power and functions which the Board of Directors may delegate in compliance with laws and rules on corporate governance.

As of the date of this Prospectus, Solita V. Delantar serves as the Chairwoman of the Audit Committee and Luis N. Yu, Jr. and Anthony A. Abad serve as members of the Audit Committee.

Corporate Governance Committee

The Company's Corporate Governance Committee is tasked with ensuring compliance with and proper observance of corporate governance principles and practices. The Corporate Governance Committee comprises at least three members, all of whom should be independent directors, including the Chairman. The Corporate Governance Committee shall have the following duties and responsibilities:

(i) Oversees the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environments;

(ii) Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

(iii) Ensures that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;

(iv) Recommends continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;

(v) Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

(vi) Proposes and plans relevant trainings for the members of the Board;

(vii) Determines the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board;

(viii) Establishes a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates;

(ix) Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications and disqualifications provided under the Manual, the Revised Corporation Code, Securities Regulation Code and other relevant laws;

(x) Assess the effectiveness of the Board’s processes and procedures in the election or replacement of directors;

(xi) In consultation with the executive or management committee/s, redefine the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times;

(xii) Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company’s culture, strategy and the business environment in which it operates;

(xiii) Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully;

(xiv) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers;

(xv) Develop a form on Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired;

(xvi) Disallow any director to decide his or her own remuneration;

(xvii) Provide in the Company’s annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year;

(xviii) Review (if any) of the existing Human Resources Development or Personnel Handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts; and

(xix) In the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

As of the date of this Prospectus Anthony A. Abad serves as the Chairman of the Corporate Governance Committee and Luis N. Yu, Jr. and Solita V. Delantar serve as members of the Corporate Governance Committee.

Risk Oversight Committee

The Board Risk Oversight Committee is responsible for the oversight of the Company's enterprise risk management system to ensure its functionality and effectiveness. The Board Risk Oversight Committee should be composed of at least three members, the majority of whom should be independent directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management. The Corporate Governance Committee shall have the following duties and responsibilities:

(i) Develops a formal enterprise risk management plan which contains the following elements:

- common language or register of risks,
- well-defined risk management goals, objectives and oversight,
- uniform processes of assessing risks and developing strategies to manage prioritized risks,
- designing and implementing risk management strategies, and
- continuing assessments to improve risk strategies, processes and measures;

(ii) Oversees the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The Board Risk Oversight Committee conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;

(iii) Evaluates the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The Board Risk Oversight Committee revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;

(iv) Advises the Board on its risk appetite levels and risk tolerance limits;

(v) Reviews at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;

(vi) Assesses the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its stakeholders;

(vii) Provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management; and

(viii) Reports to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

As of the date of this Prospectus, Luis N. Yu, Jr. serves as the Chairman of the Board Risk Oversight Committee and Solita V. Delantar and Enrique V. Rey, Jr. serve as members of the Board Risk Oversight Committee.

Related Party Transaction Committee

The Company’s Related Party Transactions Committee is tasked with reviewing all material related party transactions of the company. The Related Party Transactions Committee must comprise at least three non-executive directors, two of whom should be independent, including the Chairman. The Related Party Transactions Committee shall have the following duties and responsibilities:

(i) Evaluates on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, real party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, related party transactions and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

(ii) Evaluates all material related party transactions to ensure that these are not undertaken on more favorable economic term (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating related party transactions, the Committee takes into account, among others, the following:

- The related party's relationship to the company and interest in the transaction;
- The material facts of the proposed related party transaction, including the proposed aggregate value of such transaction;
- The benefits to the Company of the proposed related party transaction;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed related party transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for related party transactions.

(iii) Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's related party transaction exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;

(iv) Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;

(v) Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

(vi) Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including a periodic review of related party transaction policies and procedure

As of the date of this Prospectus Anthony A. Abad serves as the Chairman of the Related Party Transactions Committee and Luis N. Yu, Jr. and Augusto G. Gan serve as members of the Related Party Transactions Committee.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer, Atty. Mahleene G. Go, is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.

- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.

- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or the Company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 27 of the Revised Corporation Code shall be observed.

EXECUTIVE COMPENSATION SUMMARY

Compensation

The Company's president and its next highest ranking officers are as follows:

Name	Position
Miguel Angel A. Camahort	President
Enrique V. Rey, Jr.	Chief Finance Officer, Investor Relations Officer
Rosalie Infantado	Treasurer
Cristina S. Palma Gil-Fernandez	Corporate Secretary
Mahleene G. Go	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers of the Company in fiscal years 2016, 2017 and 2018:

	Year	Salary	Bonus	Others	Total(1)

					(₱)
President and the four most highly compensated executive officers named above........	2016	27,796,930	n/a	4,318,165	32,115,095
	2017	37,475,126	4,187,220	6,296,621	47,958,967
	2018	45,602,385	8,332,656	7,652,330	61,587,371
Aggregate compensation paid to all other officers as a group unnamed..........	2016	27,796,930	n/a	4,318,165	32,115,095
	2017	37,475,126	4,187,220	6,296,621	47,958,967
	2018	45,602,385	8,332,656	7,652,330	61,587,371
	Q1 2018	9,198,879.00	n/a	1,679,216	10,878,095
	Q2 2018	10,732,025.50	n/a	1,679,216	12,411,242

Note:

(1) Includes salary, bonuses and other income.

The President, the Chief Finance Officer and the Treasurer do not receive any compensation from the Company. The compensation of those three officers is paid the Company's subsidiary, LBC Express. The individuals who hold those positions, Mr. Camahort, Mr. Rey and Ms. Infantado, have been working for the Group even prior to the Corporate Reorganization of the Company in 2015 which resulted in the Company becoming the parent company of LBC Express. After such Corporate Reorganization, the compensation for services they rendered to the Group continued to be paid by LBC Express.

The incumbent Corporate Secretary, Assistant Corporate Secretary/Corporate Information Officer/Compliance Officer, and Alternate Corporate Information Officer are not executive officers of the Company. They do not receive any compensation from the Company in their personal capacities as such officers.

The said positions are filled-in by Picazo Buyco Tan Fider and Santos ("Picazo Law"), retained counsel of the Company. Picazo Law provides its lawyers to service the requirements of the Company, pursuant to a retainer agreement for general and external legal services, in consideration for which Picazo Law is paid its standard retainer fees.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2017 for any service provided as a director.

SIGNIFICANT EMPLOYEES

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

FAMILY RELATIONSHIPS

As of the date of this Prospectus, there are no family relationships between Directors and members of the Company's senior management known to the Company

EMPLOYMENT CONTRACTS

As of the date of this Prospectus, the Company has no special employment contracts with the named executive officers.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants or options held by the President, the Chief Executive Officer, the named executive officers, and all officers and Directors as a group.

PRINCIPAL AND SELLING SHAREHOLDER

The following table sets forth the top 20 registered holders of the Company's shares as of the March 31, 2019:

Shareholder	Number of Shares Subscribed	Amount Subscribed and Paid-up (in ₱)	% of Ownership
LBC Development Corporation	1,205,974,632	1,205,974,632.00	84.58%
Vittorio Paulo P. Lim	59,663,948	59,663,948.00	4.18%
Mariano D. Martinez Jr.	59,663,946	59,663,946.00	4.18%
Lowell L. Yu	59,663,946	59,663,946.00	4.18%
PCD Nominee Corporation	37,080,295	37,080,295.00	2.60%
PCD Nominee Corporation	3,272,602	3,272,602.00	0.23%
Ko Mei Nga	10,000	10,000.00	-
Tommy Kin Hing Tia	10,000	10,000.00	-
Ferdinand S. Santos	10,000	10,000.00	-
Andy Lantin	5,000	5,000.00	-
Jennifer H. Leong	3,000	3,000.00	-
Alfonso B. Cabual	3,000	3,000.00	-
Jimmy P. Balo	2,000	2,000.00	-
Wilfredo P. Batalla	2,000	2,000.00	-
Norman S. Bordios	2,000	2,000.00	-
Rommel Apal	2,000	2,000.00	-
Wilfredo M. Abapo	2,000	2,000.00	-
Juhjeh P. Amoncio	2,000	2,000.00	-
Roy V. Cabale	2,000	2,000.00	-
Agapito U. Aquino	2,000	2,000.00	-
Subtotal for Top 20 Stockholders	1,425,376,369	1,425,376,369.00	99.97
Others	489,102	489,102.00	0.03
Total	1,425,865,471	1,425,865,471.00	100.00

Market Information

The PSE is the principal market for the Company's shares. On March 29, 2019, the last trading day of the first quarter of 2019, the closing price of the shares on the PSE was ₱15.40 per share.

The high and low sale prices of the shares of stock of the Company for each quarter during the last two calendar years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2019	17.50	14.02	-	-	-	-	-	-
2018	19.90	14.00	15.74	14.20	15.36	14.20	15.00	13.52
2017	15.86	13.02	18.72	14.00	16.36	15.00	17.90	14.54
2016	12.20	6.20	15.00	10.14	14.88	10.50	16.00	11.50

The following shows the Common Shares held by the Selling Shareholder before the Offer, the number of Common Shares to be sold by it in the Offer and the number of Common Shares to be owned by it immediately after the Offer.

Principal Shareholder	**Common Shares held before the Offer**	**% of Common Shares outstanding before the Offer**	**Common Shares to be sold in the Offer**	**Common Shares held after the Offer**	**%**
LBC Development Corporation	1,206,178,232	84.58%	59,101,000	1,147,077,232	79.89

The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction.

LBC Development Corporation is covered by the 180-day PSE lock-up requirement:

Name of Shareholders	**Number of Common Shares Held**	**Percentage Total of Shareholding before the Offer**	**Percentage Total of Shareholding after the Offer**
LBC Development Corporation	1,146,873,632	80.43%	79.89%

To implement the foregoing lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("PCD") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of the date of this Prospectus

Title of Class	**Name and Address of Record Owner and Relationship to Issuer**	**Name of Beneficial Owner**	**Citizenship**	**No. of Common Shares Held in the Company**	**% of Total Outstanding Shares of the Company**
Common	LBC Development Corporation General Aviation Center, Domestic	The record owner is the beneficial owner of the shares indicated	Filipino	1,206,178,232	84.6%

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in the Company	% of Total Outstanding Shares of the Company
	Airport Compound, Pasay City (stockholder)				

As of the date of this Prospectus, the Company has no foreign ownership.

Security Ownership of Directors and Officers as of the date of this Prospectus

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Rene E. Fuentes	1 - direct	Filipino	0.0%
Common	Enrique V. Rey Jr.	1- direct	Filipino	0.0%
Common	Miguel Angel A. Camahort	1 - direct	Filipino	0.0%
Common	Mark Werner J. Rosal	1,000 – direct	Filipino	0.0%
Common	Solita V. Delantar	1- direct	Filipino	0.0%
Common	Augusto Gan	1- direct	Filipino	0.0%
Common	Luis N. Yu, Jr.	1 – direct	Filipino	0.0%
Common	Anthony A. Abad	101 – direct	Filipino	0.0%
Common	Jason Michael Rosenblatt	1 – direct	American	0.0%

Voting Trust Holders of five percent or More

There were no persons holding more than five percent of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which would delay, defer or prevent a change in control of the Company.

RELATED PARTY TRANSACTIONS

The Company and its Subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favorable to the related party than those generally available to third parties dealing at arm's length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the Board. In the event of a related party transaction involving a Director, the relevant Director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

The summary of the Company's transactions with its related parties for the years ended December 31, 2016, 2017 and 2018 and the related outstanding balances as of December 31, 2016, 2017 and 2018 are as follows:

	Transactions for the year ended			**Outstanding (Payables) / Receivables as of**		
	December 31,			**December 31,**		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
		(₱ in millions)			*(₱ in millions)*	
LBC Development Corporation – parent company						
Royalty fee...............	195.5	176.4	-	(10.3)	(0.4)	(0.4)
Cash advances	256.4	192.3	78,8	898.2	415.1	493.7
Dividends.................	265.3	699.5	-	–	–	–
	717.2	1,068.2	78.8	887.9	414.7	493.3
Entities under common control						
Delivery/Service Fees	400.3	658.0	633.3	518.5	495.5	253.2
Guarantee fee	4.8	9.5	7.1	(4.7)	–	–
Money remittance payable	302.0	2,295.9	-	(8.9)	(77.4)	-
Notes payable	–	–	–	–	–	–
Cash advance	61.6	57.9	23.7	182.2	240.7	36.6
Advances for acquisition of shares	–	–	439.8	–	–	439.8
Purchase of a subsidiary	–	–	–	–	–	–
Sea freight and brokerage	–	–	–	–	–	–
Due from key management personnel						

Advances	–	–	75.6	9.3	9.3	(66)
Salaries, wages and other benefits	100.3	156.3	186.2	–	–	–
Net	1,586.2	4,245.8	1,444.5	1,584.3	1,082.8	1,156.5

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement

LBC Express and LBC Development Corporation have entered into a trademark licensing agreement dated November 29, 2007 under which LBC Development Corporation has granted LBC Express the full and exclusive right within the Philippines to use LBC Marks including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo and the "Team LBC Hari Ng Padala" logo.

In compliance with their obligations relating to the issuance of the LBC Convertible Instrument, on August 4, 2017, LBC Express entered into an amended and restated trademark licensing agreement with LBC Development Corporation. The amended and restated trademark licensing agreement authorizes LBC Express to use, exercise and reproduce the LBC Marks in connection with the business of LBC Express inside and outside the Philippines, for a term of 25 years or until August 4, 2042. Both parties agreed to discontinue royalty payment for the use of the LBC Marks in recognition of the LBC Express' contribution to the value and goodwill of the trademark effective September 4, 2017.

Cash Advances to and from Related Parties

The Group regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

Fulfillment Fee

In the normal course of business, the Group fulfills the delivery of balikbayan boxes and money remittances, and performs certain administrative functions on behalf of its international affiliates. The Group charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

Guarantee Fee

The Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by LBC Properties, Inc. In consideration of the affiliate's accommodation to the Group's request to use these properties as loan collateral, the Group agreed to pay the affiliate, every April 1 of the year starting April 1, 2016, a guarantee fee of 1% of the total loan amount or equivalent to ₱8.0 million per year until said properties are released by the bank as loan collateral.

Dividends

On December 20, 2018, April 19, 2017 and October 11, 2016, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share, ₱827.00 million or ₱0.58 for every issued and outstanding common share and ₱313.69 million or ₱0.22 for every issued and outstanding common share, respectively. On February 8, 2019, June 9, 2017 and November 29, 2016, through a Memorandum of Agreement, LBC Development Corporation and the Company agreed to offset the dividends payable of the Company to LBC Development Corporation against the latter's payable to the Group amounting to ₱229.37 million, ₱699.47 million and ₱265.31 million, respectively. The ₱241.19 million, ₱699.47 million and ₱265.31 million pertain to the share in dividends of LBC Development Corporation while the ₱43.98 million, ₱127.54 million and ₱48.38 million pertain to the share of other shareholders in the Company other than LBC Development Corporation.

DESCRIPTION OF THE SHARES

The shares to be offered shall be Common Shares of the Company.

Pursuant to its articles of incorporation as amended on October 12, 2015, the Company has an authorized amount of capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with a par value of ₱1.00 per share, of which 1,425,865,471 Common Shares are issued and outstanding as of the date of this Prospectus.

The Offer Shares shall be offered at a price of up to ₱22.00 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 68 of this Prospectus. A total of up to 1,435,865,471 Common Shares will be outstanding after the Offer.

Objects and Purposes

The Company has been organized primarily as a holding company, with authority to invest in, purchase, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association and associations, domestic or foreign.

The Company's purposes also include the following: (i) to reorganize, establish, maintain and operate, under the laws of the Republic of the Philippines or any other state, territory, nation, colony, province or government, one or more corporations, subsidiaries, affiliates, associations, firms, or entities, branches, representative or liaison offices, agencies or outlets for the purpose of accomplishing any or all of the objects for which the Corporation is organized; (ii) to assume or undertake or guarantee or secure, whether as solidary obligor, surety or guarantor or in any other capacity and either on its general credit or on the mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its stockholders, subsidiaries or affiliates or any person, firm, association or corporation, whether domestic or foreign and whether a going concern or not, engaging in or previously engaged in a business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for the purposes of the Corporation; (iii) to guarantee, for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest; (iv) to carry out all or any part of its purposes as principal, agent, factor, license, lessee, concessionaire, contractor or otherwise, either alone or in joint venture or association or conjunction with any other person, firm, association, corporation, entity, whether government or private; (v) to place any or all excess or idle funds or assets of the Corporation in short-term marketable securities and investments; (vi) to enter into any lawful arrangement for sharing profits, union of interest, unitization or farm-out agreement, reciprocal concession or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation; (vii) to acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation; (viii) to establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within the Philippines; and (ix) to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the purpose for which it was organized when approved by a majority of the board of directors and ratified by the stockholders representing at least two-thirds of the outstanding capital stock, at a stockholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its purposes, the approval of the stockholders shall not be necessary. Per the By-laws of the Company, its stock, property and affairs shall be exclusively managed and controlled by the board of directors.

Share Capital

A corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the Board of Directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued have a par value of ₱1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Revised Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Company's By-laws, dividends may be paid out of the net profits of the business of the Company as and when the Board of Directors may elect, subject to legal requirements. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Revised Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the Board of Directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

Pre-Emptive Rights

The Revised Corporation Code confers pre-emptive rights on the existing shareholders of a corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company denies the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Revised Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- a sale of all or substantially all of the corporation's properties and assets;
- the extension or shortening of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have nine Directors, two of whom are Independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively; individual directors have no power as such. Five directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy created by the death, resignation or removal of a director prior to expiration of such director’s term shall be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum, Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders’ Meetings

Annual or Regular Shareholders’ Meetings

The Revised Corporation Code requires all corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings every second Monday of June of each year to be held at the principal office of the Corporation and at such hour as specified in the notice.

Special Shareholders’ Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President at his discretion or on demand of the stockholders holding the majority of the outstanding capital stock of the Company entitled to vote.

Notice of Shareholders’ Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. The Company’s By-laws provide that written notice of the time and place of the annual and special meetings of the shareholders shall be sent to each shareholder of record. At least ten (10) days before the date set for such meeting, provided that such notice may be waived by the stockholders in writing. No notice of meeting need be published in any newspaper, except when necessary to comply with the special requirements of the Revised Corporation Code.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Revised Corporation Code provides a greater percentage vis-a`-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. With respect to stock dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval; provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividends. In the event that share dividends are declared in connection with an increase in the authorized capital stock, the corresponding record date shall be fixed by the SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate at or prior to the said meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and regulations issued by the SEC.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Dividends may be declared by the board of directors except for share dividends which may only be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

The Revised Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. However, a corporation may retain all or any portion of such surplus in the following cases: (1) when justified by definite expansion plans approved by the board of directors of the corporation; (2) when the required consent of any financing institution or creditor to such distribution has not been secured; (3) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (4) when the non-distribution of dividends is consistent with the policy or requirement of a Government office. Corporations whose securities are listed on any shares exchange are required to maintain and distribute an equitable balance of cash and share dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the Board of Directors of the Company, in the form of stock and/or cash dividends, subject always to:

(a) All requirements of the Revised Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders;

(b) Any banking or other funding covenants by which the Company is bound from time to time; and

(c) The operating and expansion requirements of the Company as mentioned above.

See *"Dividends and Dividend Policy"* on page 66 of this Prospectus.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See *"The Philippine Stock Market"* on page 246 of this Prospectus.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See *"Philippine Taxation"* on page 253 of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Rizal Commercial Banking Corporation - Stock Transfer Department, which will maintain the share register. Common Shares may also be lodged and maintained under the book-entry system of the PDTC. See *"The Philippine Stock Market"* on page 246 of this Prospectus.

Fundamental Matters

The Revised Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares (including non-voting Preferred Shares) of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- declaration or issuance of share dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a directors or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and
- management contracts with related parties;

The approval of shareholders holding a majority of the outstanding capital shares of a corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Other Features of the Offer Shares

The Offer Shares are neither convertible nor subject to redemption. All of the Company's issued Shares are fully paid and non-assessable and are free and clear of all liens, claims and encumbrances. All documentary stamp taxes due on the issuance of all issued Shares have been fully paid.

Restriction on Transfer of Shares

As of the date of this Prospectus, there are no restrictions on the transfer of the Offer Shares in the Company's articles of incorporation and by-laws other than transfer restrictions based on nationality.

Change in Control

The Company's articles of incorporation or by-laws do not contain provisions that would delay, defer or prevent a change in control of the Company.

Recent Issuance of Exempt Securities

During the last three (3) fiscal years, the Company issued the following shares via private placements for which exemptions from registration were claimed on the basis of Section 10.1(k) of the SRC and notices of exempt transactions were accordingly filed with the SEC:

- On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to, and the Company agreed to issue, 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the issued and outstanding capital stock of the Company. The aggregate consideration for the shares was ₱59,101,000.00 or ₱1.00 per share. A notice of exemption was filed with the SEC on July 31, 2015.

- On September 18, 2015, the Company and LBC Development Corporation entered into a Subscription Agreement, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 475,000,000 Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱475,000,000.00 (the "Additional Subscription - Tranche 1") out of the increase in the authorized capital stock of the Company. A notice of exemption for the Additional Subscription - Tranche 1 was filed with the SEC on October 13, 2015.

- On September 18, 2015, the Company and LBC Development Corporation entered into another Subscription Agreement wherein, subject to the approval by the SEC of the Capital Increase, LBC Development Corporation subscribed to, and the Company agreed to issue, 671,873,632 Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱671,873,632.00 (the "Additional Subscription - Tranche 2") out of the authorized and unissued capital stock of the Company. A notice of exemption for the Additional Subscription - Tranche 2 was filed with the SEC on October 13, 2015.

- On October 2, 2015, the Company entered into Subscription Agreements with each of Vittorio P. Lim, Mariano D. Martinez, Jr. and Lowell L. Yu (collectively, the "Subscribers") wherein, subject to the approval by the SEC of the Capital Increase, the Subscribers subscribed to, and the Company agreed to issue, a total of 178,991,839 Common Shares of the Company at the par value of ₱1.00 per share or an aggregate subscription price of ₱178,991,839.00 out of the authorized and unissued capital stock of the

Company.. The subscription was undertaken to ensure compliance by the Company with the PSE MPO requirement of at least 10% of the outstanding capital stock of the Company. A notice of exemption for the subscription was filed with the SEC on October 13, 2015.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Sole Underwriter, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked.

The PSE previously maintained two trading floors, one in Makati City and the other in Pasig City, which were linked by an automated trading system that integrated all bid and ask quotations from the bourses. In February 2018, the PSE transferred to its new office in the PSE Tower, Bonifacio Global City, Taguig City. The new office houses a single unified trading floor.

In June 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of 97.8 million shares, of which 61,258,733 shares were subscribed and fully paid-up as of June 30, 2013. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. The PSE issued Rules on Exchange Traded Funds (“ETFs”) which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance and the need to consistently provide full, fair, accurate and timely information, the PSE adopted a new online disclosure system to support the provision of material information coming from listed companies and enhance access to such reports by the investing public. In

December 2013, the PSE Electronic Disclosure Generation Technology (EDGe), a new disclosure system co-developed with the Korea Exchange, went live. The EDGe system provided a dedicated portal for listed company disclosures and also offered a free-to download mobile application for easy access by investors.

In June 2015, the PSE shifted to a new trading system, the PSEtrade XTS, which utilizes NASDAQ's X-stream Technology. The PSEtrade XTS, which replaced the NSC trading platform provided by NYSE Euronext Technologies SAS, is equipped to handle large trading volumes. It is also capable of supporting the future requirements of the PSE should more products and services be introduced.

In November 2016, the Exchange received regulatory approvals to introduce new products in the stock market – the Dollar Denominated Securities and the Listing of Public-Private Partnership (PPP) Companies.

In June 2018, the PSE received approval from the Philippine SEC to introduce short selling in the equities market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of 10 guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 2006 to 2018, and for the first quarter of 2019, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	**Composite Index at Closing**	**Number of Listed Companies**	**Aggregate Market Capitalization**	**Combined Value of Turnover**
			(in ₱ billions)	**(in ₱ billions)**
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,976.8	1,338.3
2008	1,872.9	246	4,072.2	763.9
2009	3,052.7	248	6,032.2	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
2012	5,812.7	254	10,930.1	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.6	2,151.4
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
December 31, 2018	7,446.0	267	16,146.7	1,736.8
As of March 31, 2019	7,920.9	267	17,236.0	488.9

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m. for the morning session, and resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order will result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.

- In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities, 15.0% for security cluster B, and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are BDO Unibank, Inc., RCBC, Metropolitan Bank and Trust Company, Deutsche Bank, Unionbank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited, Maybank Philippines, Inc. and Asia United Bank. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system (CCCS) on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks mentioned above.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article II Part A Section 16 of the PSE's Consolidated Listing and Disclosure Rule.

For listing applications, the amended rule on lodgment of securities is applicable to:

- The offer shares/securities of the applicant company in the case of an initial public offering;
- The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- New securities to be offered and applied for listing by an existing listed company; and
- Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article Ill, Part A of the Consolidated Listing and Disclosure Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

Amendment Rule on Minimum Public Ownership

Under the PSE Amended Rule on Minimum Public Ownership, listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (a) individuals (for as long as the shares held are not of a significant size (i.e., less than 10.0%) and are non-strategic in nature; (b) trading participants (for as long as the shares held are non-strategic in nature); (c) investment and mutual funds; (d) pension funds; (e) PCD nominees if this account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then this shareholder is considered a principal stockholder); and (f) social security funds.

Listed companies that become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if it remains non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sale of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10.0% to 20.0%. For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Common Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Common Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Common Shares. Prospective investors of the Common Shares are urged to consult their own tax advisors as to the particular tax consequences of the ownership and disposition of the Common Shares, including the applicability and effect of any local or foreign tax laws.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

The Tax Reform for Acceleration and Inclusion ("TRAIN")

On December 19, 2017, President Rodrigo Roa Duterte signed into law the Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act. The objectives of this Act are as follows:

(a) To enhance the progressivity of the tax system through the rationalization of the Philippine internal revenue tax system, thereby promoting sustainable and inclusive economic growth;
(b) To provide, as much as possible, an equitable relief to a greater number of taxpayers and their families in order to improve levels of disposable income and increase economic activity; and
(c) To ensure that the government is able to provide for the needs of those under its jurisdiction and care through the provision of better infrastructure, health, education, jobs, and social protection for the people.

Taxes on Dividends on the Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Common Shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term “non-resident holder” means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Common Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or
- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident holder of the Common Shares (or its duly authorized representative) prior to the first taxable event, or prior to the first and only time the income tax payor is required to withhold the tax thereon or should have withheld taxes thereon had the transaction been subject to tax. The “first taxable event” has been construed by the BIR as “payment of the dividend.” Failure to file the application for tax treaty relief with the BIR prior to the first taxable event may disqualify the said application. A corporation may withhold taxes at a reduced rate on dividends paid to a non-resident holder of the Common Shares if such non-resident holder submits to the domestic corporation proof of the filing of the tax treaty relief application with the BIR prior to the payment of dividends. However, on August 9, 2013, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Common Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Common Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Common Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of Common Shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as share dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends	Capital Gains Tax Due on Disposition of Common Shares Outside the PSE
	(%)	(%)
Canada	25[1]	Exempt[9]
China	15[2]	Exempt[9]
France	15[3]	Exempt[9]
Germany	15[4]	5/10[10]
Japan	15[5]	Exempt[9]
Singapore	25[6]	Exempt[9]
United Kingdom	25[7]	Exempt[11]
United States	25[8]	Exempt[12]

Notes:

(1) 15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends.

(3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.

(4) 10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of the company paying the dividends.

(5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.

(6) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.

(7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(8) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient

corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Tax Code provided certain conditions are met.

(9) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(10) Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(11) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

(12) Under the tax treaty between the Philippines and the United States, capital gains on the sale of the shares of Philippine are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day from the end of the month when the document transferring ownership was executed. However, on August 9, 2013, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the deadline for the payment of the documentary stamp tax on the sale of shares.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15.0% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief (CORTT) Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Sale, Exchange or Disposition of Shares after the IPO

Capital gains tax, if sale was made outside the PSE

Under the recently passed TRAIN Act, net capital gains from sale of shares outside the facilities of the PSE is subject to a final tax at the rate of 15% on gains.

An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty. The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on transfer of shares listed and traded at the PSE

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, value added tax of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012, which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Beginning on January 1, 2013, the PSE shall impose a trading suspension for a period of not more than six (6) months, on shares of a listed company who has not complied with the Rule on MPO that requires listed companies to maintain a minimum percentage of listed securities held by the public at 10.0% of the listed companies' issued and outstanding shares at all times. Companies that do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

In accordance with the SEC Memorandum Circular No. 13 Series of 2017 issued on December 1, 2017, the MPO requirement on initial public offerings is increased from 10.0% to 20.0%. For existing publicly listed companies, the existing rules and/or guidelines of an exchange on minimum public float duly approved by the SEC still apply. The PSE Rule on MPO requires that listed companies shall, at all times, maintain a minimum percentage of listed securities held by the public of 10.0% of the listed companies' issued and outstanding shares, exclusive of any treasury shares, or as such percentage that may be prescribed by the PSE. As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO is yet to be issued by SEC for comments by the public. As of December 31, 2017, the MPO of the Company was 25.22%.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Prospective purchasers of the Offer Shares should obtain their own tax advice in respect of their investment in relation to these developments.

Documentary Stamp Taxes on Shares

Under the TRAIN Act, the original issue of shares is subject to documentary stamp tax of ₱2.00 on each ₱200 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱1.50 on each ₱200, or fractional part thereof, of the par value of the Common Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Common Shares.

However, the sale, barter or exchange of Common Shares listed and traded through the PSE are exempt from documentary stamp tax.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

Under the TRAIN Act, the transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a rate of 6.0% based on the value of the net estate.

Under the TRAIN Act, the transfer of the Common Shares by gift or donation would be subject to a uniform rate of 6.0% for both individuals and corporate holders.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Revenue Regulation No. 006-08 prescribes that in case the fair market value of the shares of stock sold, bartered or exchanged is greater than the amount of money and/or fair market value of the property received, the excess of the fair market value of the shares of stock sold, bartered or exchanged over the amount of money and the fair market value of the property, if any, received as consideration shall be deemed a gift subject to the donor's tax under the Tax Code.

Corporate Income Tax

As a general rule, a domestic corporation is subject to corporate income tax of 30.0% on its taxable income[135] from all sources within or without the Philippines. The exception, among others, would be (i) gross interest income from Philippine currency bank deposits and yields from deposit substitutes, trust funds and similar arrangements, and royalties, which are subject to a final withholding tax rate of 20.0% of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final 15.0% tax on the gross amount of such income.

Further, in computing the corporate income tax, effective July 6, 2008, companies are given a choice to claim itemized deductions or the optional standard deduction ("OSD"), with the former being presumed unless specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A minimum corporate income tax ("MCIT") of 2.0% of gross income would likewise be applicable to the Issuer, beginning on the fourth taxable year from commencement of business operations, whenever the MCIT is greater that the ordinary corporate income tax. For this purpose, "Gross Income" means gross sales less sales returns, discounts and allowances and cost of goods sold. Passive income, such as interest on bank deposits and royalties subject to final withholding tax, shall not form part of gross income for purposes of MCIT.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax may be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

[135] Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. Current BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.[136]

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into Pesos; and (iii) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSP registration document; (2) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned; (3) copy of secretary's sworn statement on the board resolution covering the dividend declaration and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the president of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in any Common Shares received in exchange for Offer Shares shall be the responsibility of the foreign investor.

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[136] The term "authorized agent bank" refers to all categories of banks, except offshore banking units, duly licensed by the BSP.

Foreign Ownership Controls

The Company's subsidiary, LBC Express. is engaged in air freight forwarding and the operation of private express and messengerial delivery services. As such, the Company is subject to nationality restrictions found under the Philippine Constitution and other laws limiting such activities to Philippine citizens. Under Republic Act No. 776 only "citizens of the Philippines" may engage in domestic air commerce, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the board of directors and other managing officers are citizens of the Philippines, and in which 60.0% of the voting interest is owned or controlled by persons who are citizens of the Philippines. Moreover, Circular No. 2001-01 issued by the Department of Transportation and Communications restricts the operation of private express and/or messengerial delivery services to Filipino citizens or corporations or partnerships duly registered with the SEC, at least 60% of whose capital stock or shares are owned by Filipino citizens.

As of the date of this Prospectus, approximately 100% of the total outstanding capital stock of the Company is held by Philippine Nationals. After completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

PLAN OF DISTRIBUTION

The Offer

The distribution and sale of the Offer Shares shall be undertaken by the Sole Underwriter who shall sell and distribute the Offer Shares to third party buyers/investors. The Sole Underwriter is authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer. Of the 69,101,000 Offer Shares to be offered, 80% or 55,280,800 shares are being offered through the Sole Underwriter for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 13,820,200 shares for distribution to the respective clients of the 132 Trading Participants of the PSE, acting as Selling Agents. Each PSE Broker shall initially be allocated approximately 104,600 Offer Shares (computed by dividing the Offer Shares allocated to the PSE Trading Participants between 132 PSE Trading Participants, with the balance of 13,000 to be allocated by the PSE Trading Participants) and subject to reallocation as may be determined by the PSE. Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the PSE Trading Participants shall be distributed by the Sole Underwriter to their clients or the general public in the Philippines or as otherwise agreed with the Sole Underwriter. Subject to the Underwriting Agreement dated [●], 2018, the Sole Underwriter has committed to underwrite the amount of [___] on a firm basis, such that Offer Shares not taken up by the PSE Trading Participants, the clients of the Sole Underwriter, or the general public shall be purchased by the Sole Underwriter.

The Underwriter

To facilitate the Offer, the Company has appointed Abacus Capital & Investment Corporation, who shall act as the Sole Underwriter. The Company and the Sole Underwriter shall enter into a Underwriting Agreement to be dated on or about [●], 2018, whereby the Sole Underwriter agrees to underwrite the Offer Shares.

The Sole Underwriter was incorporated in the Philippines on January 6, 1995. It has an authorized capital stock of ₱600,000,000.00, of which ₱500,000,000.00 represents its paid-up capital. The SEC granted its registration and authorization to act as an investment house, valid unless suspended or revoked for cause or cancelled by the SEC or voluntarily surrendered by the registrant, allowing the Sole Underwriter to act as underwriter.

There is no arrangement whereby the Sole Underwriter has the right to designate or nominate a member/s of the board of directors of the registrant.

Sale and Distribution

On or before [●], 2018, the PSE Trading Participants shall submit to the designated representative of the Sole Underwriter their respective firm orders and commitments to purchase Offer Shares. Offer Shares not taken up by PSE Trading Participants will be distributed by the Sole Underwriter directly to their clients and the general public and whatever remains will be purchased by the Sole Underwriter.

The Sole Underwriter shall receive from the Company a fee equivalent to 1.75% of the gross proceeds of the Offer. The underwriting fees shall be withheld by the Sole Underwriter from the proceeds of the Offer. PSE Trading Participants who take up Offer Shares shall be entitled to a selling fee of 1.0% of the Offer Shares taken up and purchased by the relevant PSE Trading Participants. The selling fee, less a withholding tax of 10%, will be paid by the Sole Underwriter to the PSE Trading Participants within ten banking days of the Listing Date. All of the Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the closing of the Domestic Offer.

LOCK-UP

The PSE rules require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction. A total of 1,146,873,632 Common Shares held by LBC Development Corporation are subject to such 180-day lock-up.

In addition, the Company and LBC Development Corporation have agreed with the Sole Underwriter that, they will not, without the prior written consent of the Sole Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for any Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the listing of the Offer Shares.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, legal counsel to the Company, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Sole Underwriter.

Each of the foregoing legal counsels has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of and for the years ended December 31, 2016, 2017 and 2018 were audited by SGV & Co., a member firm of Ernst & Young Global Limited

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. 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.

The following table sets out the aggregate fees billed for the current year and each of the last two years for professional services rendered by SGV & Co., excluding fees directly related to the Offer.

	2018	**2017**	**2016**
In millions			
Audit and Audit-Related Fees(1)	₱8.00	₱3.45	₱2.20
Transaction Support Services-Related Fees(2)	0.80	1.45	–
Total	₱8.80	₱4.90	₱2.20

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years

(2) Transaction Support Services -Related Fees. This category includes the due diligence performed in relation to the acquisition of ownership interest in another entity.

SGV & Co. did not provide services for tax accounting, compliance, advice, planning and any other form of tax services to the Company in the last two fiscal years. Other than the audit of the annual financial statements, review of the interim financial statements and financial due diligence engagement, SGV & Co. did not provide any other services to the Company in the last two fiscal years.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on May 26, 2017, provides that the audit committee shall, among other activities (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The audit committee consists of at least three members of the Board of Directors, at least one of whom is an Independent Director, including the Chairman of the Committee. The Audit Committee, with respect to an external audit:

- Perform oversight functions over the Company's external auditors; the Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

- Review the reports submitted by the external auditors.

LBC EXPRESS HOLDINGS, INC.
General Aviation Center,
Domestic Airport Compound,
Pasay City,
Metro Manila
Philippines

SOLE UNDERWRITER

Abacus Capital & Investment Corporation
Unit E-2904A Philippine Stock Exchange Centre,
Exchange Road, Ortigas Center, Pasig City

LEGAL COUNSEL TO LBC EXPRESS HOLDINGS, INC.

Picazo Buyco Tan Fider & Santos
Liberty Center, 104 H.V. dela Costa Street
Salcedo Village, Makati City

LEGAL COUNSEL TO THE SOLE UNDERWRITER

Angara Abello Concepcion Regala & Cruz Law Offices
22nd Floor, ACCRALAW Tower
2nd Avenue corner 30th Street
Crescent Park West, Bonifacio Global City
0399 Taguig City, Philippines