ANNEX C
MANAGEMENT REPORT

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

KEY PERFORMANCE INDICATORS

Financial Ratios

		For the three months ended 31 March 2017	For the three months ended 31 March 2016
Current ratio	Current Assets/Current Liabilities	1.85:1	1.27:1
Debt to equity ratio	Total Liabilities/Stockholders' Equity	1.43:1	2.04:1
Debt to total assets ratio	Total Liabilities/Total Assets	0.21:1	0.67:1
Return on average assets	Net income attributable to Parent Company/ Average assets	3.44%	3.64%
Book value per share	Stockholders' Equity/ Total Number Shares	Php1.92	Php1.33
Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	Php0.16	Php0.15

RESULTS OF OPERATIONS

Period ended March 31, 2017 compared to the period ended March 31, 2016

The analyses of consolidated Financial Result of Operations are focused mainly on the result of operation of the subsidiary, LBC Express, Inc.

Service Revenues

The Company's service revenues increased by 19.0% to P2,458 million for the quarter ended March 31, 2017 from P2,066 million for the quarter ended March 31, 2016, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 20.4% and 32.8%, respectively. There are 40 net additions on Philippines retail branches

Revenues from logistics segment grew by 24.6% to P2,181 million from P1,750 million for the quarter ended March 31, 2017 and 2016, respectively, primarily due to growth in volume of air cargo, sea cargo and courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the net addition of 40 branches in the Philippines. In addition, corporate clients generated an increase of 32.8% to P795 million from P598 million for the quarter ended March 31, 2017 and 2016, respectively.

Cost of Services

Cost of services increased by 17.7% to P1,612 million for the quarter ended March 31, 2017 from P1,369 million for the quarter ended March 31, 2017 relative to growth of volume in logistics services.

On the other hand, using percentage to revenue as basis, cost of services improved by 0.7% to 65.6% for the quarter ended March 31, 2017 from 66.3% for the quarter ended March 31, 2016, mainly attributable to lower average air freight rates of major carrier and higher container utilization.

Gross Profit

Gross profit increased by 21.4% to P846 million for the quarter ended March 31, 2017 from P679 million for the quarter ended March 31, 2016, primarily due to the increase in volume in logistic segment and improvement in freight charges.

Operating Expenses

Operating expenses increased by 24.0% to P522 million for the quarter ended March 31, 2017 from P421 million for the period ended March 31, 2016, primarily due to expenses paid for process improvement consultants in which commenced towards the end of third quarter of 2016.

Moreover, head office lease contract was renewed effective October 2016 with added monthly fee and two administrative warehouses contract started mid-2016.

Other Income, Net

Other income, net, decreased to P4 million for the quarter ended March 31, 2017 from P21 million for the quarter ended March 31, 2016 due to lower realized/unrealized foreign currency gain by 25.6%. On the other hand, interest expense is higher by 81.3% for the quarter ended March 31, 2016, primarily due to availment of long-term loans, resulting to higher outstanding notes payable as of March 31, 2017 by 43% than the March 31, 2016 balance.

Income before Income Tax

Income before income tax increased by 10.6% to P328 million for the quarter ended March 31, 2017 from P297 million for the quarter ended March 31, 2016, primarily due to improvement in revenue and cost of services.

FINANCIAL CONDITION

As at March 31, 2017 compared to as at December 31, 2016

Assets

Current Asset:

Cash and cash equivalents decreased by 0.7% to P1,319 million as of March 31, 2017 from P1,328 million as of December 31, 2016.

Due from related parties increased by 4.0% to P1,153 million as of March 31, 2017 from P1,108 million as of December 31, 2016, primarily due to additional advances amounting to P10 million per month;

Trade and other receivables, net decreased by 3.6% to P1,472 million as of March 31, 2017 from P1,527 million as of December 31, 2016, due to net settlement of trade receivable significantly from affiliates which includes service fees and the recognition of additional provision for bad debts based on management assessment.

Available-for-sale decreased by 72.1% to P70 million as of March 31, 2017 from P251 million, mainly attributable to redemption of investment amounting to P312 million for working capital requirement, offset by placement of P130 million during the quarter.

Prepayments and other current assets increased by 9.1% to P424 million as of March 31, 2017 from P388 million as of December 31, 2016, primarily due to renewal of business permits of branches for 2017 which contributed to the increase by P23.8 million. There is also additional placement of 360-day term time deposit amounting to P5million.

Non-current Assets

Property and equipment-net, increased by 2.1% to P858 million as of March 31, 2017 from P840 million as of December 31, 2016, primarily due to business expansion which led to acquisitions for leasehold improvements which increased by 4% in net book value.

Available for sale investment, decreased by 2.1% to P449 million as of March 31, 2017 from P458 million as of December 31, 2016 relative to movement in market price from P2.35/share to P2.30/share.

Deferred tax assets, net, increased by 2.1% to P80 million as of March 31 2017 from P274 million as of December 31, 2016, resulted from additional non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Liabilities

Current Liabilities

Accounts payable and accrued expenses increased by 2.9% to P1,332 million as of March 31, 2017 from P1,295 million as of December 31. 2016, primarily due to higher trade payable to outside parties and taxes payable which comprise of VAT payable, withholding taxes - expanded and withholding taxes on compensation. This resulted from increase in costs/expenses by 19.2%.

Current portion of notes payable decreased by 15% to P567 million as of March 31, 2017 from P667 million as of December 31, 2016, primarily attributable to maturity of Chinabank loan on January 2017 amounting to P100 million.

Income tax payable decreased by 68.5% to P80 million as of March 31, 2017 from P255 million as of December 31, 2016, resulting from settlement of annual income tax on March 2017.

Transmission liability decreased by 22.7% to P361 million as of March 31, 2017 from P467 million as of December 31, 2016, primarily due to lower amount of merchant liabilities by P53 million. This resulted from lower bills revenue volume between the last month of the reported periods (March 2017 vs December 2016) by 5%. Furthermore, money remittance payable also decreased by 15% resulting from lower remittance revenue (other than bills revenue) between the last month of the reported periods (March 2017 vs December 2016) by 16%.

Non-current Liabilities

Retirement benefit obligation increased by 1.1% to P729 million as of March 31, 2017 from P721 million as of December 31. 2016 due to the net retirement benefit expense recognized for the period.

Lease liabilities increased by 11% to P81 million as of March 31, 2017 from P73 million as of December 31, 2016, primarily due to additional four vehicle leases acquired in the first quarter of the current year.

Long-term notes payable is lower by 2.9% to P672.5 million as of March 31, 2017 from P692.5 million as of December 31, 2016 representing the outstanding noncurrent portion of a 5-year loan availed in 2016.

LIQUIDITY

Cash Flows

Period ended March 31, 2017 compared to the period ended March 31, 2016

Cash flows from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, retirement benefit expense, interest expense and changes in working capital. The Company's net cash from operating activities were P44 million and P235 million for the three-month period ended March 31, 2017 and 2016, respectively. For the period ended March 31, 2017, inflow from operating activities were generally from normal operations. For the period ended March 31, 2016, the restricted cash set up in 2015 was fully utilized in the first quarter of 2016 causing the significant movement in changes in working capital.

Cash flows from investing activities

Cash generated from investing activities for the three-month period ended March 31, 2017 is P97 million, mainly resulting from net redemption of unit investment trust fund (UITF) amounting to P182 million in the first quarter of 2017.

Cash used for investing activities for the three-month period ended March 31, 2016 is P80 million primarily from the property and equipment acquisitions.

Cash flow from financing activities

Cash outflow for financing activities for the three-month period ended March 31, 2017 and 2016 were P152 million and P209 million, respectively. Net availment of loans in 2017 is P120 million and P174 million for 2017 and 2016, respectively.

STATUS AND PLAN OF OPERATIONS

The Company plans to conduct capital raising activities to fund and support future plans for expansion of operations of LBC Express, Inc., investment in other enterprises, research and development, and investment in technology, among others.

2016 vs. 2015

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2016	2015
Current ratio	Current Assets/Current Liabilities	1.67	1.18
Debt to equity ratio	Total Liabilities/Stockholders' Equity	1.74	2.66
Debt to total assets ratio	Total Liabilities/Total Assets	0.63	0.73
Return on average assets	Net income attributable to Parent Company/ Average assets	14.52%	8.11%
Book value per share	Stockholders' Equity/ Total Number Shares	P1.73	P1.14
Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	P0.65	P0.29

RESULTS OF OPERATIONS

Year ended December 31, 2016 compared to the year ended December 31, 2015

Service Revenues

The Company's service revenues increased by 13% to ₱8,695.4 million for the year ended December 31, 2016 from ₱7,686.5 million for the year ended December 31, 2015, primarily due to an increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 20% to ₱7,521.9 million for the year ended December 31, 2016 from ₱6,290.3 million for the year ended December 31, 2015, primarily due to a growth in the volume of courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of 48 new branches in the Philippines. This growth also resulted in an incremental increase in the Company's volumes from cargo forwarding services during the year.

Price increase is also implemented at an average of 7% to 9% for Philippines, effective April, 2015, respectively, which resulted to higher price variance for the months of January to March.

Cost of Services

Cost of services increased by 9% to ₱5,590.5 million for the year ended December 31, 2016 from ₱5,119.5 million for the year ended December 31, 2015 mainly attributable to higher revenue by 13%.

While the improvement in percentage to revenue to 64% in 2017 from 67% is primarily due to favorable cost ratio which resulted from the lower average freight rates of major carrier for the utilization of mid-day flights and maximizing the use of sea carrier with lower rates. Other fixed costs such as salaries and wages, rent, utilities and depreciation remain at a reasonable level with only 6% increment.

Gross Profit

Gross profit increased by 21% to ₱3,104.9 million for the year ended December 31, 2016 from ₱2,556.9 million for the year ended December 31, 2015, primarily due to the increase in volume and rate of air and courier services and improvement in costs of air and sea freight.

Operating Expenses

Operating expenses decreased by 4% to ₱1,872.8 million for the year ended December 31, 2016 from ₱1,947.8 million for the year ended December 31, 2015.

Significant reduction of advertising expense by 32% or ₱81.7 million is mainly attributable to non-incurrence of boxing sports sponsorship (Pacquiao) and decrease in media advertising and production related to brand awareness.

The Company had assessed a lower amount of provision for impairment losses on receivables at ₱15.8 million for 2016 while ₱31.4 million for 2015. Incidences that causes write-off of receivables also lowered resulting to another ₱23.4 million reduction in expenses.

The above decreases are offset by increase in professional fees by 11% or ₱19.8 million which is mainly related to acquired services of consultants for overall process improvement of the company.

Other Income, Net

Other income, net which comprise of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expense increased by 41% to ₱154.1 million for the year ended December 31, 2016 from ₱109.6 million for the year ended December 31, 2015 primarily resulted from earnings generated from foreign exchange trading.

Finance Costs, Net

Finance costs, net increased by 46% to ₱61.1 million for the year ended December 31, 2016 from ₱41.8 million for the year ended December 31, 2015, which is related to availment of long-term loans during the year.

Income before Income Tax

Income before income tax increased by 93% to ₱1,325.1 million for the year ended December 31, 2016 from ₱686.9 million for the year ended December 31, 2015, primarily due to improvement in revenue and costs.

Income Tax Expense

Income tax expense increased by 52% to ₱411.2 million for the year ended December 31, 2016 from ₱270.6 million for the year ended December 31, 2015 in line with the growth in operating income subject to income taxes.

Net Income for the Year

As a result of the foregoing, the Company’s profit for the year increased by 120% to ₱913.9 million for the year ended December 31, 2016 from ₱416.3 million for the year ended December 31, 2015.

FINANCIAL CONDITION

As of December 31, 2016 compared to as of December 31, 2015

Assets

Current Assets

Cash and cash equivalents increased by 36% to ₱1,327.8 million as December 31, 2016 from ₱979.1 million as of December 31, 2015.

Trade and other receivables increased by 4% to ₱1,526.7 million as of December 31, 2016 from ₱1,466.8 million as of December 31, 2015, primarily due to growth of receivables from affiliates for the company’s fulfillment services. Amount of remittance and cargo service fees is higher by 4% to ₱400.3 million for 2016 and ₱386.4 for 2015.

Due from related parties decreased by 16% to ₱1,108.0 million as of December 31, 2016 from ₱1,321.3 million as of December 31, 2015, primarily due to settlement amounting to ₱198.0 million before the end of the current year.

Available-for-sale investments amounting to ₱250.9 million represents the Company's investment in unquoted unit investment trust fund.

Prepayments and other current assets decreased by 12% to ₱388.1 million as of December 31, 2016 from ₱443.3 million as of December 31, 2015, primarily due to the restricted cash of P135.3 million representing cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company. This is fully settled during the current year.

Non-current Assets

Property and equipment, net increased by 10% to ₱840.0 million as of December 31, 2016 from ₱763.0 million as of December 31, 2015, primarily due to business expansion which led to net acquisitions of leasehold improvement and furniture and fixtures resulting to an increase by 24% and 26% , respectively, based on net book value.

Intangibles, net decreased by 4% to ₱266.0 million as of December 31, 2016, from ₱276.4 million as of December 31, 2015, primarily due to lower SAP related additions for this year.

Available for sale investment, higher by 116% to P458.3 million as of December 31, 2016, from P212.6 million as of December 31, 2015, as market price increased from P1.09/share to P2.09/share.

Deferred tax assets, net increased by 22% to P274.4 million as of December 31, 2016, from P225.6 million as of December 31, 2015, as a result of higher non-deductible expenses from retirement benefit and accrued bonus and leave credits.

Security deposits, increased by 8% to ₱226.3 million as of December 31, 2016, from ₱209.9 million as of December 31, 2015, primarily due to increase in branches.

Other noncurrent assets, increased by 14% to ₱70.2 million as of December 31, 2016, from P61.8 million as of December 31, 2015, which resulted from the increase in noncurrent portion of input tax on capital assets.

Liabilities

Accounts and other payables decreased by 29% to ₱1,294.9 million as of December 31, 2016, from ₱1,832.0 million as of December 31, 2015, primarily due to reduction in trade payable by 19%. This is mainly attributable to improvement of operating expenses.

Notes payable (current and noncurrent) increased by 31% to ₱1,359.2 as of December 31, 2016, from ₱1,040.6 million as of December 31, 2015, primarily due to higher outstanding loan from BDO bank. The Company availed five-year term loan from the said bank during the year.

Transmission liability decreased by 8% to ₱467.3 million as of December 31, 2016, from ₱508.1 million as of December 31, 2015, primarily due to lower volume and amount of money remittance transactions on the last day of the operations of the year.

Income tax payable increased by 95% to ₱254.8 million as of December 31, 2016, from ₱130.7 million as of December 31, 2015, in line with the growth in operating income subject to income taxes.

Finance lease liabilities (current and noncurrent) increased by 6% to ₱124.1 million as of December 31, 2016, from ₱117.2 million as of December 31, 2015, due to additional service vehicles acquired through finance lease during the year.

Retirement benefit obligation increased by 12% to ₱721.0 million as of December 31, 2016, from ₱641.8 million as of December 31, 2015.

LIQUIDITY

Cash Flows

Years ended December 31, 2016 and December 31, 2015

Cash flow from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, interest expense, retirement benefit expense, interest expense and changes in working capital. The Company's net cash from operating activities were ₱757.3 million, and ₱596.8 million for the year ended December 31, 2016 and 2015, respectively.

For the year ended December 31, 2016, 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, 2016 and 2015 were ₱559.4 million and ₱1,722.2 million, respectively.

Payment of cash to effect reverse acquisition amounting to ₱1,325.9 million had the largest impact on cash flow from investing activities for the year ended December 31, 2015.

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2016 and 2015 were ₱154.6 million and ₱1,567.0 million, respectively.

For the year ended December 31, 2015, the inflow from financing activities is primarily from the issuance of stocks amounting to ₱1,369.3 million, net of stock issuance cost.

2015 vs. 2014

KEY PERFORMANCE INDICATORS

Financial Ratios

		2015	2014
Current ratio	Current Assets/Current Liabilities	1.18:1	1.12:1
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.66:1	2.68:1
Debt to total assets ratio	Total Liabilities/Total Assets	0.73:1	0.73:1

Return on average assets	Net income attributable to Parent Company/ Average assets	8.11%	3.74%
Book value per share	Stockholders' Equity/ Total Number Shares	Php1.14	Php32.42
Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	Php0.29	Php0.10

RESULTS OF OPERATIONS

Year ended December 31, 2015 compared to the year ended December 31, 2014

Service Revenues

The Company's service revenues increased by 9% to Php7,686.5 million for the year ended December 31, 2015 from Php7,056.2 million for the year ended December 31, 2014, primarily due to an increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 11% to Php6,290.3 million for the year ended December 31, 2015 from Php5,641.9 million for the year ended December 31, 2014, primarily due to a growth in the volume of courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of 94 new branches in the Philippines and one new branch in the Middle East. This growth also resulted in an incremental increase in the Company's volumes from cargo forwarding services during the year.

Price increase is also implemented at an average of 2% to 5% for Middle East and 7% to 9% for Philippines, effective January and April, 2015, respectively.

Cost of Services

Cost of services improved by 3% to Php5,119.5 million for the year ended December 31, 2015 from Php5,284.5 million for the year ended December 31, 2014, primarily due to one-off transactions incurred in prior year.

In 2014, the Company spent an estimate of P100-million freight and trucking cost for the donations to the victims of typhoon Yolanda which occurred in November 2013. Majority of donations were from international affiliates, in which the transport fees were shouldered. Further, the impact of port congestion last year which is due to government regulation for truck ban in city of Manila is estimated at P250.0 million.

The Company implemented the Voluntary Early Retirement Program (VERP) in 2014 which resulted to severance expense amounting to P150.0 million. Noted decrease in salaries and benefits for 2015 is 5%.

Depreciation expense is also reduced by 5% as a result of change in useful life of leasehold improvement from 5 years to 8 years and vehicle from 5 years to 10 years

Gross Profit

Gross profit increased by 45% to Php2,566.9 million for the year ended December 31, 2015 from Php1,771.7 million for the year ended December 31, 2014, primarily due to the increase in volume and rate of air and courier services and improvement in costs of delivery, salaries and benefits and depreciation expenses.

Operating Expenses

Operating expenses increased by 22% to Php1,947.8 million for the year ended December 31, 2015 from Php1,602.6 million for the year ended December 31, 2014.

In 2015, the Company entered into an agreement with IBM for the rental of cloud server and PLDT for use of network infrastructure. Total expense incurred from these transactions is P38.3 million. In addition, the Company incurred P28.8 million cloud subscription expenses during the year.

The Company has directly written-off other receivables amounting to P26.64 million and P0.09 million for 2015 and 2014, respectively, where probability of collection has been determined to be remote. In addition, provision for impairment losses is higher by P25.0 based on the assessment of long outstanding receivable and those accounts under legal proceedings.

Claims and losses increased to Php80.6 million for the year ended December 31, 2015 from P23.7 million for the year ended December 2014 which is primarily attributable to returns and undelivered cargoes of corporate clients.

Other Income, Net

Other income, net which comprise of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expense increased by 78% to Php109.6 million for the year ended December 31, 2015 from Php61.6 million for the year ended December 31, 2014 primarily resulted from earnings generated from foreign exchange trading.

Finance Costs, Net

Finance costs, net increased by 38% to Php41.8 million for the year ended December 31, 2015 from Php30.4 million for the year ended December 31, 2014, which is traceable to interest on finance lease obligations entered during the year.

Income before Income Tax

Income before income tax increased by 243% to Php686.9 million for the year ended December 31, 2015 from Php200.4 million for the year ended December 31, 2014, primarily due to improvement in revenue and cost of services.

Income Tax Expense

Income tax expense increased by 375% to Php270.6 million for the year ended December 31, 2015 from Php56.9 million for the year ended December 31, 2014, in line with the growth in operating income subject to income taxes.

Net Income for the Year

As a result of the foregoing, the Company’s profit for the year increased by 190% to Php416.3 million for the year ended December 31, 2015 from Php143.4 million for the year ended December 31, 2014.

FINANCIAL CONDITION

As of December 31, 2015 compared to as of December 31, 2014

Assets

Current Assets

Cash and cash equivalents increased by 85% to Php979.1 million as December 31, 2015 from Php527.9 million as of December 31, 2014.

Trade and other receivables increased by 15% to Php1,025.1 million as of December 31, 2015 from Php893.9 million as of December 31, 2014, primarily due to growth of corporate accounts in the Logistics segment.

Due from related parties increased by 15% to Php1,763.0 million as of December 31, 2015 from Php1,533.6 million as of December 31, 2014, primarily due to monthly advance funding to LBC Development amounting to P35.0 million and additional advances to Lovable Commerce, Inc. amounting to P91.9 million. This is offset by the assumed liabilities of subsidiaries to LBCDC as discussed under "Due to Related Parties" below. .

Prepayments and other current assets increased by 65% to Php443.3 million as of December 31, 2015 from Php269.4 million as of December 31, 2014, primarily due to the restricted cash of P135.3 million representing cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company.

Non-current Assets

Property and equipment, net increased by 20% to Php763.0 million as of December 31, 2015 from Php636.9 million as of December 31, 2014, primarily due to business expansion which led to net acquisitions of leasehold improvement and computer hardware resulting to an increase by 37% and 84% , respectively, based on net book value.

Intangibles, net increased by 8% to Php276.4 million as of December 31, 2015 from Php256.6 million as of December 31, 2014, primarily due to additional costs for SAP and Vistra amounting to P66.1 million.

Available for sale investment, decreased by 23% to P212.6 million as of December 31, 2015 from P277.0 million as of December 31, 2014 due to lower market price from P1.42/share to P1.09/share.

Deferred tax assets, net decreased by 12% to P225.6 million as of December 31, 2015 from P256.9 million as of December 31, 2014 as a result of higher non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Security deposits, increased by 21% to Php209.9 million as of December 31, 2015 from Php172.8 million as of December 31, 2014, primarily due to increase in branches.

Other noncurrent assets, increased by 12% to Php61.8 million as of December 31, 2015 from P55.4 million as of December 31, 2014 which resulted from the net effect of increase in noncurrent portion of input tax on capital assets and decrease/amortization of noncurrent rent.

Liabilities

Current Liabilities

Accounts and other payables increased by 17% to Php1,830.2 million as of December 31, 2015 from Php1,564.5 million as of December 31, 2014, which is related to higher operating expenses. New contract entered with IBM for use of cloud server and additions to SAP implementation costs add to the outstanding balance. Further, provisions set up for claims and losses resulted to higher accrual.

Due to related parties decreased by 89% to Php20.0 million as of December 31, 2015 from Php183.2 million as of December 31, 2014, as a result of offsetting of assumed liability from subsidiaries amounting to P173.7 million against receivable from LBCDC.

Notes payable increased by 46% to Php1,040.6 as of December 31, 2015 from Php714.8 million as of December 31, 2014, primarily due to new loan availment from CTBC bank amounting to P150.0 million, Land Bank of the Philippines amounting to Php35.2 million and additional P232.5 million loan from BDO.

Transmission liability increased by 42% to Php508.1 million as of December 31, 2015 from Php359.0 million as of December 31, 2014, primarily due to higher volume and amount of money remittance transactions on the last day of the operations of the year.

Income tax payable increased to Php130.7 million as of December 31, 2015 from Php9.3 million as of December 31, 2014, in line with the growth in operating income subject to income taxes.

Current portion of finance lease liabilities decreased by 27% to Php43.0 million as of December 31, 2015 from Php59.0 million as of December 31, 2014 due to amortization of existing leases.

Non-current Liabilities

Retirement benefit obligation increased by 18% to Php641.8 million as of December 31, 2015 from Php541.9 million as of December 31, 2014.

Finance lease liabilities (net of current portion) decreased by 40% to Php74.2 million as of December 31, 2015 from Php122.6 million as of December 31, 2014 due to amortization of existing leases.

LIQUIDITY

Cash Flows

Years ended December 31, 2015 and December 31, 2014

Cash flow from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, interest expense, retirement benefit expense, interest expense and changes in working capital. The Company's net cash from operating activities were Php596.8 million, and Php83.9 million for the years ended December 31, 2015 and 2014, respectively.

For the year ended December 31, 2015, 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, 2015 and 2014 were Php1,722.2 million and Php427.7 million, respectively.

Payment of cash to effect reverse acquisition amounting to Php1,325.9 million had the largest impact on cash flow from investing activities for the year ended December 31, 2015. Additions to property and equipment, as part of the expansion, also affected the cash flow from investing activities significantly for the year ended December 31, 2015.

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2015 and 2014 were Php1,567.0 million and Php373.9 million, respectively.

For the year ended December 31, 2015, the inflow from financing activities is primarily from the issuance of stocks amounting to Php1,369.3 million, net of stock issuance cost.

Review of 2014 Operations

The Company's total assets decreased by 84.177% from Php17.694 million as of 31 December 2013 to Php2.8 million as of 31 December 2014 due mainly to the Company's recognition of allowance for impairment losses as a result of the Company's assessment that some assets are impaired. Total liabilities increased by 34.673% from Php1.429 million to Php1.924 million due mainly to the increase in due to related parties. Stockholders' Equity decreased by 94.616% from Hp16.265 million as of 31 December 2013 to Php0.876 million as of 31 December 2014 due to the net loss for the year of Php15.390 million.

Revenues for the year 2014 amounted to Php148,533 as compared to Php17 in 2013 while total expenses amounted to Php15.538 million and Php4.237 million for the years 2014 and 2013, respectively. Net loss amounted to Php15.390 million for the year 2014 as compared to a net loss of Php4.237 million for the year 2013.

The top five (5) key performance ratios/indicators of the Company for the years ended 31 December 2014 and 2013 are as follows:

Ratios	Formula	12.31.14	12.31.13
Current Ratio		1.455:1	3.640:1
	Current Assets/	2,799,653	5,200,716
	Current Liabilities	1,924,000	1,428,643
Debt to Equity Ratio		2.197:1	0.088:1
	Total Liabilities/	1,924,000	1,428,643
	Stockholders' Equity	875,659	16,265,332
Debt to Total Assets Ratio		0.687:1	0.081:1
	Total Liabilities/	1,924,000	1,428,643
	Total Assets	2,799,659	17,693,975
Book Value Per Share		Php0.21	Php0.398
	Stockholders' Equity/	875,659	16,265,332
	Total No. Shares	40,899,000	40,899,000
Earnings/(Loss)Per Share		(Php0.376)	(Php0.104)
	Net Income/(Loss)	(15,389,673)	(4,237,054)
	Total No. Shares	40,899,000	40,899,000

(i) Known Trends, Events or Uncertainties Affecting Liquidity

Aside from the Company's planned follow-on offering, there are no known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way.

The Company does not anticipate any cash flow or liquidity problems.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments.

(ii) Events That Will Trigger Direct or Contingent Financial Obligation

The Company does not expect any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations

The Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(iv) Capital Expenditures

As of date, there is no material commitment for capital expenditures.

(v) Known Trends, Events or Uncertainties Affecting Sales

Aside from the intended acquisition of up to 1,041,180,493 issued and outstanding shares of stock of LBC Express, Inc., the Company does not expect any trends, events or uncertainties that may have material favorable or unfavorable impact on sales or income.

(vi) Significant Elements of Income or Loss

There were no significant elements of income or loss that did not arise from the Company's operations.

(vii) Causes for Material Changes in the Financial Statements

Accounts	**2014**	**2013**	**% Increase / (Decrease)**
Cash	23,120	35,488	(34.850%)
Receivables – Net	2,208,000	3,833,563	(42.403%)
Prepayments and other current assets	568,539	1,331,665	(57.306%)
Property and equipment	0	12,493,259	(100.00%)
Due to related parties	1,924,000	1,238,000	34.673%
Retained earnings (deficit)	(111,104,531)	(95,714,858)	16.079%

The net decrease in Cash is mainly due to the disbursements for expenses, offset in part by the cash provided by a Company officer. The decrease in Receivables, Other Current Assets and Property and Equipment is mainly due to the recognition of allowance for impairment losses on assets considered as impaired. Due to Related parties increased due to the additional advances from a Company officer. The increase in Deficit is due to the net loss for the year.

(viii) Seasonal Aspects

There are no seasonal aspects that will have material effect on the Company's financial condition or results of operations.

Review of 2013 Operations

The Company's total assets decreased by 17.027% from Php21.325 million as of 31 December 2012 to Php17.694 million as of 31 December 2013 due mainly to the decrease in inventories while total liabilities increased by 73.657% from Php0.823 million to Php1.429 million due mainly to the increase in due to related parties. Stockholders' Equity decreased by 20.666% from Php20.502 million as of 31 December 2012 to Php16.265 million as of 31 December 2013 due to the net loss for the year of Php4.237 million.

Revenues for the year 2013 amounted to Php17 as compared to Php130 in 2012 while total expenses amounted to Php4.237Million and Php3.069Million for the year 2013 and 2012, respectively. Net loss amounted to Php4.237 million for the year 2013 as compared to a net loss of Php3.069 million for the year 2012.

The top five (5) key performance ratios/indicators of the Company for the years ended 31 December 2013 and 2012 are as follows:

Ratios	Formula	12.31.13	12.31.12
Current Ratio		3.640:1	9.770:1
	Current Assets/	5,200,716	8,037,674
	Current Liabilities	1,428,643	822,682
Debt to Equity Ratio		0.088:1	0.040:1
	Total Liabilities/	1,428,643	822,682
	Stockholders' Equity	16,265,332	20,502,384
Debt to Total Assets Ratio		0.081:1	0.039:1
	Total Liabilities/	1,428,643	822,682
	Total Assets	17,693,975	21,325,066
Asset to Equity Ratio		1.088:1	1.040:1
	Total Assets/	17,693,975	21,325,066
	Stockholders' Equity	16,265,332	20,502,384
Interest Coverage Ratio	EBIT*/Interest Expense	Not Applicable	Not Applicable
Book Value Per Share		Php0.398	Php0.501
	Stockholders' Equity/	16,265,332	20,502,384
	Total No. Shares	40,899,000	40,899,000

Ratios	Formula	12.31.13	12.31.12
Earnings/(Loss)Per Share		(Php0.104)	(Php0.075)
	Net Income/(Loss)	(4,237,054)	(3,068,694)
	Total No. Shares	40,899,000	40,899,000

**Earnings before interest and taxes (EBIT)*

(i) Known Trends, Events or Uncertainties Affecting Liquidity

Aside from the Company's planned stock rights offering, there are no known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way.

The Company does not anticipate any cash flow or liquidity problems.

The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments.

(ii) Events That Will Trigger Direct or Contingent Financial Obligation

The Company does not expect any event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) Material Off-Balance Sheet Transactions, Arrangements, Obligations

The Company has no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

(iv) Capital Expenditures

The Company has no planned capital expenditures.

(v) Known Trends, Events or Uncertainties Affecting Sales

The Company does not expect any trends, events or uncertainties that may have material favorable or unfavorable impact on sales or income.

(vi) Significant Elements of Income or Loss

There were no significant elements of income or loss that did not arise from the Company's operations.

(vii) Causes for Material Changes in the Financial Statements

Accounts	2013	2012	%Increase / (Decrease)
Cash	35,488	59,631	(40.488%)
Inventories	0	2,868,645	(100.000%)

Accounts	2013	2012	%Increase / (Decrease)
Prepayments and other current assets	1,331,665	1,275,835	4.376%
Property and equipment	12,493,259	13,287,392	(5.977%)
Due to related parties	1,238,000	640,000	93.4375%
Retained earnings (deficit)	(95,714,858)	(91,477,806)	4.632%

The net decrease in Cash is mainly due to the disbursements for expenses, offset in part by the cash provided by a Company officer. The decrease in Inventories is due to the write-down of inventories to net realizable value which amounted toPhp2.867Million in 2013. The increase in Prepayment and Other Current Assets is due to the increase in input vat which arose from domestic purchases of goods and services. Property and Equipment decreased due mainly to the provision for depreciation for the year. Due to Related parties increased due to the additional advances from a Company officer. The increase in Deficit is due to the net loss for the year.

(viii) Seasonal Aspects

There are no seasonal aspects that will have material effect on the Company's financial condition or results of operations.

Review of 2012 Operations

The Company's total assets decreased by 10.171% from Php23.740Million as of 31 December 2011 to Php21.325Million as of 31 December 2012 due mainly to the decrease in inventories while total liabilities decreased by 76.888% from Php3.560Million to Php0.823Million due mainly to the conversion of the Company's advances/liabilities as of 31 December 2011 amounting to Php3.391Million into equity. The net increase in Stockholders' Equity of 1.597% from Php20.180Million as of 31 December 2011 to Php20.502Million as of 31 December 2012 is due to the aforementioned conversion of the Company's advances/liabilities into equity amounting to Php3.391 million and the net loss for the year of Php3.069Million.

Revenues for the year 2012 amounted to Php130 as compared to Php280 in 2011 while total expenses amounted to Php3.069 million and Php2.579 million for the year 2012 and 2011, respectively. Net loss amounted to Php3.069 million for the year 2012 as compared to a net loss of Php2.579 million for the year 2011.

The top five (5) key performance ratios/indicators of the Company for the years ended 31 December 2012 and 2011 are as follows:

Ratios	Formula	12.31.12	12.31.11
Current Ratio		9.770:1	2.713:1
	Current Assets/	8,037,674	9,656,679
	Current Liabilities	822,682	3,559,593
Debt to Equity Ratio		0.040:1	0.176:1

Ratios	Formula	12.31.12	12.31.11
	Total Liabilities/	822,682	3,559,593
	Stockholders' Equity	20,502,384	20,180,078
Debt to Total Assets Ratio		0.039:1	0.150:1
	Total Liabilities/	822,682	3,559,593
	Total Assets	21,325,066	23,739,671
Asset to Equity Ratio		1.040:1	1.176:1
	Total Assets/	21,325,066	23,739,671
	Stockholders' Equity	20,502,384	20,180,078
Interest Coverage Ratio	EBIT*/Interest Expense	Not Applicable	Not Applicable
Book Value Per Share		Php0.501	Php0.538
	Stockholders' Equity/	20,502,384	20,180,078
	Total No. Shares	40,899,000	37,508,000
Earnings/(Loss)Per Share		(Php0.075)	(Php0.069)
	Net Income/(Loss)	(3,068,694)	(2,579,166)
	Total No. Shares	40,899,000	37,508,000

**Earnings before interest and taxes (EBIT)*

Causes for Material Changes in the Financial Statements

Accounts	2012	2011	%Increase / (Decrease)
Cash	59,631	339,729	(82.447%)
Inventories	2,868,645	4,261,168	(32.679%)
Prepayments and other current assets	1,275,835	1,217,219	4.816%
Property and equipment	13,287,392	14,082,992	(5.649%)
Due to related parties	640,000	3,391,000	(81.126)%
Share capital	40,899,000	37,508,000	9.041%
Retained earnings (deficit)	(91,477,806)	(88,409,112)	3.471%

The net decrease in Cash is mainly due to the disbursements for expenses, offset in part by the cash provided by a Company officer. The decrease in Inventories is due to the additional provision for impairment loss of Php1.392Million. The increase in Prepayment and Other Current Assets is due to the increase in input vat which arose from domestic purchases of goods and services. Property and Equipment decreased due mainly to the provision for depreciation for the year. Due to Related parties decreased while Share Capital increased due to mainly to the conversion of the Company's advances/liabilities as of December 3, 2011 amounting to Php3.391Million into equity. The increase in Deficit is due to the net loss for the year.

Status and Plan of Operations

On 29 July 2015, the Company's Board approved the increase in the Company's authorized capital stock from ONE HUNDRED MILLION PESOS (Php100,000,000.00) divided into ONE HUNDRED MILLION (100,000,000) shares with par value of ONE PESOS (Php1.00) per share to an amount of up to THREE BILLION PESOS (Php3,000,000,000.00) divided into such number of shares with par value of ONE PESO (Php1.00) per share, LBC Development Corporation will subscribe to up to 25% of such increase in authorized capital stock. The Company needs to raise additional capital in preparation for the purchase of up to 1,041,180,493 issued and outstanding shares of stock of LBC Express, Inc. On 29 July 2015, the Board of Directors of the Company approved the acquisition of up to 1,041,180,493 issued and outstanding shares of stock of LBC Express, Inc. After the Company acquires the shares in LBC Express, Inc., the Company plans to conduct capital raising activities to fund and support future plans for expansion of operations of LBC Express, Inc., investment in other enterprises, research and development, and investment in technology, among others. Further, the Company will incur expenses in moving its office to Pasay City. Likewise, the Company will hire employees in the next twelve (12) months to support its intended expansion in operations or investment activity. As of date, the employees of the company are not subject to collective bargaining agreements.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

The Company's common shares are listed with the PSE. As of 30 June 2017, the total number of shares held by the public was 219,783,833 common shares or 15.41% of the total issued and outstanding capital stock of the Company.

The following table sets forth the share prices of the Company's common shares for the first two quarters of 2017 and each quarter of the years 2016 and 2015:

Quarter	High (Php)	Low (Php)
2017		
1ST	15.86	13.02
2ND	18.72	14.00
2016		
4TH	16.00	11.50
3RD	14.88	10.50
2ND	15.00	10.14
1ST	12.20	6.20
2015		
4TH	14.50	11.50
3RD	16.98	11.52
2ND	24.80	11.32
1ST	27.55	15.02

The stock price of each common share of the Company as of the close of the latest practicable trading date, 27 July 2017, is Php15.96.

STOCKHOLDERS

As of the 30 June 2017, there were a total of 486 registered holders of common shares of the Company. The following are the top 20 registered holders of the common shares of the Company as of 30 June 2017:

	Name of Stockholder	Nationality	Number of Shares Held	Percentage
1	LBC DEVELOPMENT CORPORATION	Filipino	1,205,974,632	84.58%
2	LIM, VITTORIO PAULO P.	Filipino	59,663,948	4.18%
3	MARTINEZ JR., MARIANO D.	Filipino	59,663,946	4.18%
4	YU, LOWELL L.	Filipino	59,663,946	4.18%
5	PCD NOMINEE CORPORATION	Filipino	37,230,195	2.78%
6	PCD NOMINEE CORPORATION	Foreign	3,123,802	0.04%
7	KO MEI NGA	Filipino	10,000	Nil
8	TIA, TOMMY KIN HING	Chinese	10,000	Nil
9	SANTOS, FERDINAND S.	Filipino	10,000	Nil
10	LANTIN, ANDY	Filipino	5,000	Nil
11	LEONG, JENNIFER H.	Filipino	3,000	Nil
12	CABUAL, ALFONSO B.	Filipino	3,000	Nil
13	VIRTUDES, MARITES M.	Filipino	2,000	Nil
14	BALO, JIMMY P.	Filipino	2,000	Nil
15	BATALLA, WILFREDO P.	Filipino	2,000	Nil
16	SIMBAJON, GLICERIA	Filipino	2,000	Nil

17	FURIO, TERESITA F.	Filipino	2,000	Nil
18	GARCIA, JANET G.	Filipino	2,000	Nil
19	VILLANUEVA, ERWIN L.	Filipino	2,000	Nil
20	NOMBRE, RAMIL C.	Filipino	2,000	Nil

DIVIDENDS

Dividend Policy

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 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.

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

Cash dividends are subject to approval by the Company's board of directors without need of stockholders' approval. However property dividends, such as stock dividends, are subject to the approval of the Company's board of directors and stockholders.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company.

Dividend History

Since the corporate reorganization of the Company, no dividends have been declared by the Company.

RECENT SALES OF UNREGISTERED SECURITIES

Please see discussion on Change in Control under Item 4 of the Definitive Information Statement.

CORPORATE GOVERNANCE

Please refer to the Annual Corporate Governance Report, attached as part of Annex "D" of the Definitive Information Statement.