

ANNEX "E"

COVER SHEET

SEC Registration Number

A S O 9 3 0 0 5 2 7 7

COMPANY NAME

L	B	C		E	X	P	R	E	S	S		H	O	L	D	I	N	G	S	,		I	N	C	.				
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I	N	V	E	S	T	M	E	N	T		G	R	O	U	P		I	N	C	.									

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

L	B	C		H	A	N	G	A	R	,		G	E	N	E	R	A	L		A	V	I	A	T	I	O	N		
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P	A	S	A	Y		C	I	T	Y																				

Form Type

1 7 - Q

Department requiring the report

S E C

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

N/A

Company's Telephone Number

856-8522

Mobile Number

N/A

No. of Stockholders

487

Annual Meeting (Month / Day)

Second Monday of June

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Enrique V. Rey

Email Address

evrey@lbcexpress.com

Telephone Number/s

856-8510

Mobile Number

CONTACT PERSON'S ADDRESS

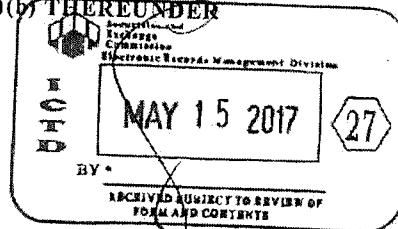
General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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



1. For the quarterly period ended: March 31, 2017
2. SEC Identification Number: ASO93-005277
3. BIR Taxpayer Identification Number: 002-648-099-000
4. Exact name of issuer as specified in its charter: LBC EXPRESS HOLDINGS, INC. (formerly FEDERAL RESOURCES INVESTMENT GROUP INC.)
5. Province, country or other jurisdiction of incorporation or organization: Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of issuer's principal office: LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City 1300
8. Issuer's telephone number, including area code: (632) 856 8510
9. Former name, former address and former fiscal year, if changed since last report

Federal Resources Investment Group Inc.
No. 35 San Antonio Street, San Francisco del Monte,
Quezon City 1105

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

As of March 31, 2017:

Title of Each Class

Number of Shares of Common Stock Outstanding
and Amount of Debt Outstanding
1,425,865,471¹

COMMON SHARES

11. Are any or all of the securities listed on a Stock Exchange?
Yes ☒ No ☐

Name of Stock Exchange: Philippine Stock Exchange
Class of securities listed: Common shares²

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

¹ Inclusive of 1,388,357,471 common shares which are exempt from registration.

² As of March 31, 2017, 40,899,000 common shares have been listed with Philippine Stock Exchange. The remaining 1,384,966,471 are subject to listing applications filed with the Philippine Stock Exchange.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The Unaudited Interim Financial Statements of the Company as at and for the period ended March 31, 2017 and Notes to Financial Statements are hereto attached as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Condition and 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 ₱2,458 million for the quarter ended March 31, 2017 from ₱2,066 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 ₱2,181 million from ₱1,750 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 ₱795 million from ₱598 million for the quarter ended March 31, 2017 and 2016, respectively.

Cost of Services

Cost of services increased by 17.7% to ₱1,612 million for the quarter ended March 31, 2017 from ₱1,369 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 ₱846 million for the quarter ended March 31, 2017 from ₱679 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 ₱522 million for the quarter ended March 31, 2017 from ₱421 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 ₱4 million for the quarter ended March 31, 2017 from ₱21 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 ₱328 million for the quarter ended March 31, 2017 from ₱297 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 ₱1,319 million as of March 31, 2017 from ₱1,328 million as of December 31, 2016.

Due from related parties increased by 4.0% to ₱1,153 million as of March 31, 2017 from ₱1,108 million as of December 31, 2016, primarily due to additional advances amounting to ₱10 million per month;

Trade and other receivables, net decreased by 3.6% to ₱1,472 million as of March 31, 2017 from ₱1,527 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 ₱70 million as of March 31, 2017 from ₱251 million, mainly attributable to redemption of investment amounting to ₱312 million for working capital requirement, offset by placement of ₱130 million during the quarter.

Prepayments and other current assets increased by 9.1% to ₱424 million as of March 31, 2017 from ₱388 million as of December 31, 2016, primarily due to renewal of business permits of branches for 2017 which contributed to the increase by ₱23.8 million. There is also additional placement of 360-day term time deposit amounting to ₱5 million.

Non-current Assets

Property and equipment-net, increased by 2.1% to ₱858 million as of March 31, 2017 from ₱840 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 ₱449 million as of March 31, 2017 from ₱458 million as of December 31, 2016 relative to movement in market price from ₱2.35/share to ₱2.30/share.

Deferred tax assets, net, increased by 2.1% to ₱280 million as of March 31 2017 from

₱274 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 ₱1,332 million as of March 31, 2017 from ₱1,295 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 ₱567 million as of March 31, 2017 from ₱667 million as of December 31, 2016, primarily attributable to maturity of Chinabank loan on January 2017 amounting to ₱100 million.

Income tax payable decreased by 68.5% to ₱80 million as of March 31, 2017 from ₱255 million as of December 31, 2016, resulting from settlement of annual income tax on March 2017.

Transmission liability decreased by 22.7% to ₱361 million as of March 31, 2017 from ₱467 million as of December 31, 2016, primarily due to lower amount of merchant liabilities by ₱53 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 ₱729 million as of March 31, 2017 from ₱721 million as of December 31, 2016 due to the net retirement benefit expense recognized for the period.

Lease liabilities increased by 11% to ₱81 million as of March 31, 2017 from ₱73 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 ₱672.5 million as of March 31, 2017 from ₱692.5 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 ₱44 million and ₱235 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 ₱97 million, mainly resulting from net redemption of unit investment trust fund (UITF) amounting to ₱182 million in the first quarter of 2017.

Cash used for investing activities for the three-month period ended March 31, 2016 is ₱80 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 ₱152 million and ₱209 million, respectively. Net availment of loans in 2017 is ₱120 million and ₱174 million for 2017 and 2016, respectively.

PART II -- OTHER INFORMATION

There is no other information not previously reported in SEC Form 17-C that needs to be reported in this section.

SIGNATURE

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

LBC EXPRESS HOLDINGS, INC.

A handwritten signature in dark ink, appearing to read 'ENRIQUE V. REY, JR.', is written over the printed name.

ENRIQUE V. REY, JR.
Acting Chief Finance Officer and Treasurer

March 15, 2017

LBC Express Holdings, Inc.
and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As at March 31, 2017 and
for the Three Months Ended
March 31, 2017 and 2016
*(With Comparative Audited Statement of Financial Position as at
December 31, 2016)*

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(With Comparative Audited Figures as at December 31, 2016)

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 3, 19 and 20)	₱1,318,780,690	₱1,327,790,727
Trade and other receivables (Notes 4, 19 and 20)	1,472,060,892	1,526,719,330
Due from related parties (Notes 13, 19 and 20)	1,152,660,941	1,107,999,329
Available-for-sale investments (Notes 8 and 20)	70,037,816	250,937,154
Prepayments and other current assets (Note 5)	423,594,983	388,089,197
Total Current Assets	4,437,135,322	4,601,535,737
Noncurrent Assets		
Property and equipment (Note 6)	858,372,846	840,476,927
Intangible assets (Note 7)	257,569,944	266,047,661
Available-for-sale investments (Notes 8, 19 and 20)	448,638,170	458,391,174
Deferred tax assets (Note 16)	280,174,377	274,380,370
Security deposits (Notes 17 and 20)	232,438,070	226,255,209
Other noncurrent assets (Note 5)	78,873,352	70,150,604
Total Noncurrent Assets	2,156,066,759	2,135,701,945
	₱6,593,202,081	₱6,737,237,682
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 9, 19 and 20)	₱1,332,482,524	₱1,294,903,590
Due to related parties (Notes 13, 19 and 20)	18,470,552	18,509,332
Current portion of notes payable (Notes 11, 19 and 20)	566,835,341	666,715,500
Transmissions liability (Notes 10, 19 and 20)	361,148,723	467,284,795
Current portion of lease liabilities (Notes 17, 19 and 20)	37,687,331	50,826,683
Income tax payable	80,145,939	254,758,265
Total Current Liabilities	2,396,770,410	2,752,998,165
Noncurrent Liabilities		
Retirement benefit liability (Note 18)	728,718,600	721,026,661
Notes payable - net of current portion (Notes 11, 19 and 20)	672,500,000	692,500,000
Lease liabilities - net of current portion (Notes 17, 19 and 20)	81,336,123	73,242,401
Other noncurrent liabilities	32,039,394	34,477,440
Total Noncurrent Liabilities	1,514,594,117	1,521,246,502
	3,911,364,527	4,274,244,667
Equity		
Equity attributable to shareholders of the Parent Company		
Capital stock (Note 12)	1,425,865,471	1,425,865,471
Retained earnings	1,011,905,455	782,414,079
Accumulated comprehensive income	297,094,263	305,677,402
	2,734,865,189	2,513,956,952
Non-controlling interests	(53,027,635)	(50,963,937)
Total Equity	2,681,837,554	2,462,993,015
	₱6,593,202,081	₱6,737,237,682

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2017	2016
	(Unaudited)	(Unaudited)
SERVICE REVENUE (Note 21)	₱2,458,185,460	₱2,066,476,644
COST OF SERVICES (Note 14)	1,612,082,623	1,369,277,267
GROSS PROFIT	846,102,837	697,199,377
OPERATING EXPENSES (Note 15)	522,447,111	421,248,502
OTHER INCOME (CHARGES)		
Foreign exchange gains - net	23,837,630	32,042,499
Interest income	1,498,793	736,021
Interest expense (Notes 11 and 17)	(22,069,731)	(12,172,860)
Others - net	1,107,997	91,105
	4,374,689	20,696,765
INCOME BEFORE INCOME TAX	328,030,415	296,647,640
PROVISION FOR INCOME TAX (Note 16)	100,104,099	90,116,331
NET INCOME FOR THE PERIOD	227,926,316	206,531,309
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain (loss) on retirement benefit plan - net of tax	(219,476)	442,510
Items that may be reclassified to profit or loss in subsequent periods		
Unrealized fair value gain (loss) on available-for-sale investments (Note 8)	(8,526,191)	93,620,676
Currency translation gain (loss) - net	(336,110)	4,197,570
	(9,081,777)	98,260,756
TOTAL COMPREHENSIVE INCOME	₱218,844,539	₱304,792,065
NET INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱229,491,376	₱208,465,956
Non-controlling interests	(1,565,060)	(1,934,647)
NET INCOME FOR THE PERIOD	₱227,926,316	₱206,531,309
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of the Parent Company	₱220,908,237	₱305,410,746
Non-controlling interests	(2,063,698)	(618,681)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	₱218,844,539	₱304,792,065
BASIC/DILUTED EARNINGS PER SHARE (Note 22)	₱0.16	₱0.15

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2017 (Unaudited)					
	Capital Stock (Note 12)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests
Balances as at January 1, 2017	₱1,425,865,471	₱782,414,079	₱305,677,402	₱2,513,956,952	₱50,963,937
Comprehensive income:					
Net income (loss)	-	229,491,376	-	229,491,376	(1,565,060)
Other comprehensive loss	-	-	(8,583,139)	(8,583,139)	(498,638)
Total comprehensive income (loss)	-	229,491,376	(8,583,139)	220,908,237	(2,063,698)
Balances as at March 31, 2017	₱1,425,865,471	₱1,011,905,455	₱297,094,263	₱2,734,865,189	₱53,027,635

For the Three Months Ended March 31, 2016 (Unaudited)					
	Capital Stock (Note 12)	Retained Earnings	Accumulated Comprehensive Income	Total	Non-controlling Interests
Balances as at January 1, 2016	₱1,425,865,471	₱174,498,871	₱68,411,150	₱1,668,775,492	₱41,074,285
Comprehensive income:					
Net income (loss)	-	208,465,956	-	208,465,956	(1,934,647)
Other comprehensive income	-	-	96,944,790	96,944,790	1,315,966
Total comprehensive income (loss)	-	208,465,956	96,944,790	305,410,746	(618,681)
Balances as at March 31, 2016	₱1,425,865,471	₱382,964,827	₱165,355,940	₱1,974,186,238	₱41,692,966

See accompanying Notes to Interim Condensed Consolidated Financial Statements

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱328,030,415	₱296,647,640
Adjustments for:		
Depreciation and amortization (Notes 6, 7, 14 and 15)	72,623,560	63,480,379
Interest expense (Notes 11 and 17)	22,069,731	12,172,860
Retirement expense, net of benefits paid and contribution to retirement plan	7,378,403	15,125,381
Gain on disposal of property and equipment and intangible assets (Notes 6 and 7)	(8,000)	(69,423)
Interest income (Note 3)	(1,498,793)	(736,021)
Unrealized foreign exchange losses (gains) - net	(2,500,387)	363,572
Operating income before changes in working capital	426,094,929	386,984,388
Changes in working capital:		
Decrease (increase) in:		
Trade and other receivables	54,658,438	(75,536,401)
Due from related parties (Note 13)	(44,661,613)	(58,037,472)
Prepayments and other assets	(35,505,786)	156,491,531
Security deposits	(6,182,861)	(4,306,999)
Increase (decrease) in:		
Accounts and other payables (Note 9)	34,432,917	122,758,148
Transmissions liability	(106,136,071)	(127,187,233)
Due to related parties (Note 13)	(38,780)	4,981,805
Net cash generated from operations	322,661,173	406,147,767
Interest received	1,498,793	736,021
Income tax paid	(280,416,372)	(171,829,679)
Net cash provided by operating activities	43,743,594	235,054,109
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Redemption of investments in UITF classified as available-for-sale investments	312,126,151	-
Disposal of property and equipment and intangible assets	8,000	183,500
Increase in other noncurrent assets	(8,722,748)	-
Acquisitions of:		
Intangible assets	(4,140,440)	(1,261,575)
Property and equipment (Note 23)	(71,900,912)	(79,178,335)
Available-for-sale investments	(130,000,000)	-
Net cash provided by (used in) investing activities	97,370,051	(80,256,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	136,835,341	533,696,457
Payments of lease liabilities	(13,484,086)	(12,172,860)
Interest paid (Notes 11 and 17)	(18,923,714)	(22,690,184)
Payments of notes payable	(256,715,500)	(708,034,227)
Net cash generated from financing activities	(152,287,959)	(209,200,814)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,174,314)	(54,403,115)
EFFECT OF FOREIGN CURRENCY EXCHANGE		
RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,164,277	2,217,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,327,790,727	979,102,489
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 3)	₱1,318,780,690	₱926,916,633

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

1. Corporate Information

LBC Express Holdings, Inc. (referred to as the "Parent Company" or "LBCH"), formerly Federal Resources Investment Group Inc. (FED), was registered with the Securities and Exchange Commission (SEC) on July 12, 1993.

The ultimate parent of the Parent Company is LBC Development Corporation (LBCDC).

The Parent Company undertook an Initial Public Offering and on December 21, 2001 LBCH's shares were listed on the Philippine Stock Exchange (PSE).

The Parent Company invests, purchases or disposes 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, association, domestic and foreign.

The Parent Company is a public holding company that has investments in businesses of messengerial either by sea, air or land of letters, parcels, cargoes, wares, and merchandise; acceptance and remittance of money, bills payment and the like; and performance of other allied general services from one place of destination to another within and outside of the Philippines.

The previous registered office and principal place of business of the Parent Company was at No. 35 San Antonio Street, San Francisco Del Monte, Quezon City. On October 12, 2015, the SEC approved the change in principal office of the Parent Company to LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are set out below. These policies have been constantly applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The accompanying interim condensed consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale (AFS) investments that has been measured at fair value. The interim condensed consolidated financial statements are presented in Philippine Peso. All amounts are rounded off to the nearest peso, except when otherwise indicated.

Difference in accounting periods

The Group consolidated the non-coterminous financial statements of its subsidiaries using their November 30 fiscal year end and the three months ended February 28 first quarter end financial statements since it is impracticable for the said subsidiaries to prepare financial statements as of the same date as the reporting date of the Parent Company.

Management exercised judgment in determining whether adjustments should be made in the interim condensed consolidated financial statements of the Group pertaining to the effects of significant transactions or events of its subsidiaries that occur between March 1, 2017 and 2016

and the date of the Parent Company's financial statements which is March 31, 2017 and 2016 and between December 1, 2016 and the comparative date of the Parent Company's financial position which is December 31, 2016. The interim condensed consolidated financial statements were adjusted to effect LBCE's availment of bank loans in March 2017 and 2016 amounting to ₱46.84 million and ₱407.69 million, respectively; settlement of bank loans in March 2017 and 2016 amounting to ₱57.97 million and ₱189.00 million, respectively; additional investment and redemption of unquoted AFS investment in March 2017 amounting to ₱130.00 million and ₱312.13 million, respectively; payment of annual income taxes in March 2017 and 2016 amounting to ₱254.76 million and ₱130.59 million, respectively, and the adjustment to reflect the decrease and increase of fair value of quoted AFS investment by ₱56.57 million and ₱33.16 million for the period March 1 to March 31, 2017 and March 1 to March 31, 2016.

The consolidated financial statements as of December 31, 2016 were adjusted to effect LBCE's additional availment and settlement of bank loans in December 2016 amounting to ₱136.72 million and ₱246.24 million, respectively; the adjustment to reflect the increase in fair value of quoted AFS investment by ₱50.72 million for the period December 1 to December 31, 2016, and the settlement of advances to an affiliate on December 21, 2016 amounting to ₱198.00 million.

There were no other significant transactions that transpired between March 1, 2017 to March 31, 2017, December 1, 2016 to December 31, 2016 and March 1, 2016 to March 31, 2016.

Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in accordance with the Philippine Accounting Standard 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited financial statement as at and for the year ended December 31, 2016, which have been prepared in accordance with PFRS.

The Group's interim condensed consolidated financial statements were prepared for inclusion in an offering circular in relation to a planned capital raising activity.

Basis of Consolidation

The interim condensed consolidated financial statements include the accounts of the Parent Company and all of its subsidiaries where the Parent Company has control. Control is achieved when the Group 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.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profit and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

There were no changes in the Parent Company's ownership interests in its subsidiaries from January 1, 2016 to March 31, 2017.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016, except for the following amendments which the Group adopted starting January 1, 2017. Except as otherwise indicated, the adoption of these amendments have no material impact on the Company's financial statements:

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. These amendments are not expected to have any impact to the Group.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any impact to the Group.

Annual Improvements to PFRSs 2012 - 2014 Cycle

- *Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *Amendment to PFRS 7, Financial Instruments: Disclosures, Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *Amendment to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. These amendments are not expected to have any impact to the Group.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. These amendments are not applicable to the Group.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of this standard.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are

generally applied prospectively, with some limited exceptions. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively, with earlier application permitted. These amendments are not expected to have any impact to the Group.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. These amendments are not expected to have any impact to the Group.
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation. The Group is currently assessing the impact of this standard.

Effective beginning on or after January 1, 2019

- **PFRS 16, *Leases***

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their consolidated financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally. This standard is expected to significantly impact its leasing arrangements for outlets which are currently accounted for as operating lease, as the Group is already required to recognize the related assets and liabilities in its consolidated statement of financial position.

Deferred effectivity

- **Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. These amendments are not expected to have any impact to the Group.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. Except as otherwise stated, the significant accounting judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements as at and for the year ended December 31, 2016.

3. Cash and Cash Equivalents

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash in banks	₱682,964,912	₱939,534,180
Cash on hand	186,976,995	174,890,603
Cash equivalents	448,838,783	213,365,944
	₱1,318,780,690	₱1,327,790,727

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placements rates.

4. Trade and Other Receivables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade receivables - outside parties	₱1,069,734,416	₱1,023,354,253
Trade receivables - related parties (Note 13)	419,797,608	518,466,319
	1,489,532,024	1,541,820,572
Less allowance for impairment losses	67,801,322	55,694,985
	1,421,730,702	1,486,125,587
Other receivables:		
Advances to officers and employees	38,207,255	26,117,789
Others	12,122,935	14,475,954
	₱1,472,060,892	₱1,526,719,330

Trade receivables arise from sale of services related to inbound and outbound courier services, handling and consolidation services with normal credit terms of 30 to 90 days.

Advances to officers and employees consist mainly of noninterest-bearing advances which are subject to liquidation upon completion of the business transaction and personal advances subject to salary deductions.

The Group performed reassessment of the collectability of its receivables and as a result, recognized additional provision for impairment losses. These were recognized under operating expenses in the interim consolidated statements of comprehensive income.

Allowance for impairment losses were specifically identified as impaired. These pertain to trade receivables from outside parties.

Portion of trade receivable - outside parties as of December 31, 2016 amounting to ₱40.79 million are assigned in relation to a bank loan availed in 2016 (see Note 11).

The movements in allowance for impairment losses of trade receivables follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Balance at beginning of period	₱55,694,985	₱39,891,364
Provisions (Note 15)	12,106,337	15,803,621
	₱67,801,322	₱55,694,985

5. Prepayments and Other Assets

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Input value-added tax (VAT)	₱166,948,557	₱184,851,516
Materials and supplies	112,072,931	104,972,605
Prepayments:		
Rent	50,539,889	41,012,242
Taxes	28,686,075	4,911,428
Insurance	25,387,580	11,576,755
Advertising	22,496,228	11,995,164
Software maintenance cost	2,727,307	4,854,547
Others	8,206,018	15,957,769
Creditable withholding taxes (CWT)	48,984,634	46,767,004
Short-term cash investments	27,419,116	27,340,771
Other current assets	9,000,000	4,000,000
	502,468,335	458,239,801
Less noncurrent portion of:		
VAT on capital goods	55,804,950	54,943,647
Prepaid rent	23,068,402	15,206,957
Total noncurrent portion	₱78,873,352	₱70,150,604
Total current portion	₱423,594,983	₱388,089,197

Input VAT is applied against output VAT. Management believes that the remaining balance is recoverable in future periods.

Materials and supplies consist of office supplies and packing materials to be used in the Group's operations. Materials and supplies recognized as part of cost of services in the statements of comprehensive income for the three months ended March 31, 2017 and 2016 amounted to ₱81.50 million and ₱101.83 million, respectively.

Prepaid advertising consists of advances for billboards and multimedia endorsements.

Other prepayments pertain to unamortized dues and subscriptions.

CWTs are attributable to taxes withheld by the withholding agents which are creditable against the income tax payable.

Short-term cash investments are time deposits with maturity of more than three months from the date of acquisition but not exceeding one year.

6. Property and Equipment

The rollforward analysis of this account follows:

	For the three months ended March 31, 2017 (Unaudited)				
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress
Costs					
At beginning of period	₱516,312,044	₱1,387,570,739	₱604,044,494	₱549,377,766	₱9,067,555
Additions	7,166,382	6,176,482	11,129,032	10,348,080	43,081,346
Reclassifications	2,156,920	34,593,701	1,938,429	-	(38,689,050)
Disposals	-	(1,106,644)	-	(64,675)	-
At end of period	525,635,346	1,427,234,278	617,111,955	559,661,171	13,459,851
Accumulated Depreciation and Amortization					
At beginning of period	384,704,082	897,410,297	515,934,644	427,846,648	-
Depreciation and amortization (Notes 14 and 15)	9,137,364	22,688,518	12,021,522	16,157,999	-
Disposals	-	(1,106,644)	-	(64,675)	-
At end of period	393,841,446	918,992,171	527,956,166	443,939,972	-
Net Book Value	₱131,793,900	₱508,242,107	₱89,155,789	₱115,721,199	₱13,459,851
					₱858,372,846

	For the year ended December 31, 2016 (Audited)				
	Transportation Equipment	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Computer Hardware	Construction in Progress
Costs					
At beginning of year	₱493,700,641	₱1,193,415,823	₱536,162,284	₱497,378,871	₱26,897,204
Additions	46,621,479	50,327,150	33,655,196	49,923,302	174,478,510
Reclassifications	5,773,437	145,597,503	34,227,014	6,710,205	(192,308,159)
Disposals	(29,783,513)	(1,769,737)	-	(4,634,612)	-
At end of year	516,312,044	1,387,570,739	604,044,494	549,377,766	9,067,555
Accumulated Depreciation and Amortization					
At beginning of year	357,426,671	798,498,426	466,384,919	362,222,603	-
Depreciation and amortization (Notes 14 and 15)	46,918,944	100,592,013	49,549,725	67,505,204	-
Disposals	(19,641,533)	(1,680,142)	-	(1,881,159)	-
At end of year	384,704,082	897,410,297	515,934,644	427,846,648	-
Net Book Value	₱131,607,962	₱490,160,442	₱88,109,850	₱121,531,118	₱9,067,555
					₱840,476,927

In 2015, the Company purchased a computer hardware on a long-term payment arrangement. The liability is noninterest bearing and payable over 60 months. As of March 31, 2017, the outstanding liability amounted to ₱41.38 million, ₱32.04 million of which is reported under 'other current liabilities' in the consolidated statements of financial position.

7. Intangible Assets

The rollforward analysis of this account follows:

	For the three months ended March 31, 2017 (Unaudited)		
	Software	Development in Progress	Total
Costs			
At beginning of period	₱335,393,881	₱63,140,574	₱398,534,455
Additions	2,276,108	1,864,332	4,140,440
At end of period	337,669,989	65,004,906	402,674,895
Accumulated Amortization			
At beginning of period	132,486,794	—	132,486,794
Amortization (Note 15)	12,618,157	—	12,618,157
At end of period	145,104,951	—	145,104,951
Net Book Value	₱192,565,038	₱65,004,906	₱257,569,944

	For the year ended December 31, 2016 (Audited)		
	Software	Development in Progress	Total
Costs			
At beginning of year	₱134,430,313	₱243,687,774	₱378,118,087
Additions	198,861,104	(198,861,104)	—
Disposal	2,157,464	18,313,904	20,471,368
Reclassification	(55,000)	—	(55,000)
At end of year	335,393,881	63,140,574	398,534,455
Accumulated Amortization			
At beginning of year	101,736,602	—	101,736,602
Amortization (Note 15)	30,779,219	—	30,779,219
Disposal	(29,027)	—	(29,027)
At end of year	132,486,794	—	132,486,794
Net Book Value	₱202,907,087	₱63,140,574	₱266,047,661

8. Available-for-Sale Investments

AFS investments mainly represent the Group's investment in unquoted unit investment trust fund and investment in the quoted shares of stock of Araneta Properties, Inc.

Movement of the AFS investments follows:

	For the three months ended March 31, 2017 (Unaudited)	For the year ended December 31, 2016 (Audited)
Quoted:		
Balance at beginning of period	₱458,391,174	₱212,596,951
Additions	—	757,920
Sale of shares	—	(332,450)
Unrealized fair value gain (loss)	(9,753,004)	245,368,753
	448,638,170	458,391,174
Unquoted:		
Balance at beginning of period	250,937,154	—
Additions	130,000,000	400,000,000
Redemption	(312,126,151)	(150,000,000)
Unrealized fair value gain	1,226,813	937,154
	70,037,816	250,937,154
	₱518,675,986	₱709,328,328
Less current portion	₱70,037,816	₱250,937,154
Total noncurrent portion	₱448,638,170	₱458,391,174

9. Accounts and Other Payables

This account consists of:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade payable - outside parties	₱551,858,230	₱553,696,573
Trade payable - related parties (Note 13)	10,325,950	10,239,262
Taxes payable	250,549,425	175,914,534
Accruals:		
Salaries and wages	193,318,685	187,053,321
Rent and utilities	80,474,714	91,142,838
Contracted jobs	70,580,882	61,027,104
Claims and losses	42,171,409	55,388,469
Professional fees	10,199,380	6,980,356
Outside services	8,979,535	7,086,121
Taxes	8,793,703	8,509,450
Advertising	6,004,114	21,393,676
Others	48,128,471	63,177,810
Government agencies contributions payables	20,092,484	21,971,215
Others (Note 13)	31,005,542	31,322,861
	₱1,332,482,524	₱1,294,903,590

10. Transmissions Liability

Transmissions liability represents money transfer remittances by clients that are still outstanding, and not yet claimed by the beneficiaries as at reporting date. These are due and demandable.

Transmissions liability amounted to P361.14 million and P467.28 million as at March 31, 2017 and December 31, 2016, respectively.

11. Notes Payable

The Group has outstanding notes payable to various local banks. The details of these notes as at March 31, 2017 and December 31, 2016 are described below:

March 31, 2017 (Unaudited)					
Bank/Related Party	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Payment Terms
Banco de Oro	Various availments in 2016	P88,750,000	June 2017	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	763,750,000	Various maturities in 2016 to 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines	Various availments in 2016	250,000,000	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation	Various availment in 2015	136,835,341	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Total		P1,239,335,341			
Current portion of notes payable		P566,835,341			
Noncurrent portion		P672,500,000			

December 31, 2016 (Audited)					
Bank	Date of Availment	Outstanding Balance	Maturity	Interest Rate	Terms
Banco de Oro	Various availments in 2016	P100,000,000	March 2017	Fixed rate, 4.00%	Clean; Interest payable every month, principal to be paid on maturity date
Banco de Oro	Various availments in 2016	772,500,000	Various maturities in 2016 to 2021	Fixed rate, 4.00%	With mortgage; Interest payable every month, principal payable quarterly
Unionbank of the Philippines	Various availments in 2016	250,000,000	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
Rizal Commercial Banking Corporation (RCBC)	Various availment in 2015	136,715,500	Various maturities in 2017	Fixed rate, 6.00%	Clean; Interest payable every month, principal to be paid on maturity date
China Trust Banking Corporation	December 20, 2016	100,000,000	January 10, 2017	Fixed rate 5.50%	With AR assignment; Interest payable every month, principal to be paid on maturity date
Total		P1,359,215,500			
Current portion of notes payable		P666,715,500			
Noncurrent portion		P692,500,000			

The Notes Facility Agreement entered by the Group with Banco De Oro (BDO) in May 2016 is with a credit line facility amounting to ₱800.00 million. The loan is secured with real estate mortgage on land owned by the Group's affiliates (see Note 14).

Upon loan availment in 2016, the Group, under a Deed of Assignment of Receivables, agreed to sell, assign and transfer, on a with recourse basis, unto RCBC, certain receivables under Trade receivables - outside parties. Total receivables assigned amounted to ₱201.89 million, ₱161.10 million of which was collected in 2016.

Interest expense amounted to ₱19.00 million and ₱7.65 million for the three months ended March 31, 2017 and 2016, respectively.

The loans were used primarily for working capital requirements and are not subject to any loan covenants.

12. Equity

Capital stock

As of March 31, 2017 and December 31, 2016, the details of the Parent Company's common shares follow:

	Number of Shares of Stocks	Amount
Capital stock - ₱1 par value		
Authorized	2,000,000,000	₱2,000,000,000
Issued and outstanding	1,425,865,471	1,425,865,471

13. Related Party Transactions

In the normal course of business, the Group transacts with related parties consisting of its ultimate parent, LBCDC and affiliates. Affiliates include those entities in which the owners of the Group have ownership interests. These transactions include royalty, delivery, service and management fees and loans and cash advances. Except as otherwise indicated, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

Details of related party transactions and balances for the three months ended March 31, 2017 and for the year ended December 31, 2016 are as follows:

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Receivable balance as at March 31, 2017 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 21)	₱91,474,539	₱421,285,878	Noninterest-bearing; due and demandable	Unsecured, no impairment

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Receivable balance as at March 31, 2017 (Unaudited)	Terms	Conditions
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	P8,663,189	P922,238,033	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates</i>				
b.) Advances	68,309,017	219,625,914	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	1,500,000	10,796,995	Noninterest-bearing; due and demandable	Unsecured, no impairment
		P1,152,660,942		
	Transaction amounts for the three months ended March 31, 2016 (Unaudited)	Outstanding Receivable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
<u>Due from related parties (Trade receivables)</u>				
<i>Affiliates</i>				
a.) Delivery fee, management fee, financial Instant Peso Padala (IPP) fulfillment fee (Notes 4 and 21)	P86,818,300	P518,466,319	Noninterest-bearing; due and demandable	Unsecured, no impairment
<u>Due from related parties (Non-trade receivables)</u>				
<i>Ultimate parent company</i>				
b.) Advances	P30,892,359	P913,895,352	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Affiliates</i>				
b.) Advances	22,229,485	184,806,983	Noninterest-bearing; due and demandable	Unsecured, no impairment
<i>Officer</i>				
b.) Advances	12,599	9,296,994	Noninterest-bearing; due and demandable	Unsecured, no impairment
		P1,107,999,329		
	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Payable balance as at March 31, 2017 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 9)	P58,796,287	P10,325,950	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
d.) Guarantee fee (Note 9)	7,142,857	5,238,095	Noninterest-bearing; due and demandable	Unsecured
		P15,564,045		

	Transaction amounts for the three months ended March 31, 2017 (Unaudited)	Outstanding Payable balance as at March 31, 2017 (Unaudited)	Terms	Conditions
<u>Due to related parties (Non-trade payables)</u>				
<i>Ultimate Parent Company</i>				
b.) Advances	P=	P15,694,463	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
b.) Advances	-	2,516,896	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
b.) Advances	-	259,193	Noninterest-bearing; due and demandable	Unsecured
		P18,470,552		
<u>Key management personnel</u>				
Salaries and wages	P22,136,262	-	Noninterest-bearing; due and demandable	Unsecured
Other short-term employee benefits	3,997,859	-	Noninterest-bearing; due and demandable	Unsecured
Retirement benefits (Note 18)	7,566,240	157,504,739	Noninterest-bearing; due and demandable	Unsecured
		P157,504,739		
	Transaction amounts for the three months ended March 31, 2016 (Unaudited)	Outstanding Payable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
<u>Due to related parties (Trade payables)</u>				
<i>Ultimate Parent Company</i>				
c.) Royalty fee (Note 9)	P50,554,743	P10,239,262	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
d.) Guarantee fee (Note 9)	-	4,671,229	Noninterest-bearing; due and demandable	Unsecured
		P14,910,491		
<u>Due to related parties (Non-trade payables)</u>				
<i>Ultimate Parent Company</i>				
b.) Advances	P=	P15,694,463	Noninterest-bearing; due and demandable	Unsecured
<i>Affiliate</i>				
b.) Advances	120,834	2,559,566	Noninterest-bearing; due and demandable	Unsecured
<i>Officer</i>				
c.) Advances	-	255,303	Noninterest-bearing; due and demandable	Unsecured
		P18,509,332		

	Transaction amounts for the three months ended March 31, 2016 (Unaudited)	Outstanding Payable balance as at December 31, 2016 (Unaudited)	Terms	Conditions
<u>Key management personnel</u>				
Salaries and wages	P23,544,220	P-	Noninterest-bearing; due and demandable	Unsecured
Other short-term employee benefits	3,923,914	-	Noninterest-bearing; due and demandable	Unsecured
Retirement benefits (Note 18)	3,173,493	149,938,499	Noninterest-bearing; due and demandable	Unsecured
		P149,938,499		

- a. In the normal course of business, the Group fulfills the delivery of *balikbayan* boxes 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.
- b. 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.
- c. LBCDC (Licensor), the Ultimate Parent Company, granted to the Group (Licensee) the full and exclusive right to use the LBC Marks within the Philippines, in consideration for a continuing royalty rate of two point five percent (2.5%) for 2017 and 2016 of Licensee's Gross Revenues which is defined as any and all revenue from all sales of products and services, including all other income of every kind and nature directly and/or indirectly arising from, related to and/or connected with Licensee's business operations (including, without limitation, any proceeds from business interruption insurance, if any), whether for cash or credit, wherever made, earned, realized or accrued, excluding any sales discounts and/or rebates, value added tax.
- d. The Group entered into a loan agreement with BDO which is secured with real estate mortgage on various real estate properties owned by the Group's affiliate. 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 outstanding loan and until said properties are released by the bank as loan collateral.

14. Cost of Services

This account consists of:

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Cost of delivery and remittance	P689,813,694	P512,219,845
Salaries and benefits	482,507,267	445,692,120
Utilities and supplies	180,317,106	187,928,110
Rent (Note 17)	140,180,660	124,268,460

(Forward)

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Depreciation and amortization	₱50,568,441	₱47,119,348
Retirement benefit expense	24,975,970	17,846,507
Repairs	21,069,434	19,025,204
Transportation and travel	12,859,927	8,655,256
Insurance	8,344,927	5,679,361
Others	1,445,197	843,056
	₱1,612,082,623	₱1,369,277,267

15. Operating Expenses

This account consists of:

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Salaries and benefits	₱114,435,076	₱96,649,138
Royalty	58,796,287	50,554,743
Rent (Note 17)	56,823,258	47,233,202
Professional fees	51,544,279	20,209,853
Utilities and supplies	40,666,519	30,771,539
Travel and representation	35,895,921	23,540,820
Taxes and licenses	34,373,613	28,265,995
Advertising and promotion	33,888,556	41,840,929
Depreciation and amortization	22,055,118	16,361,029
Claims and losses	19,968,393	23,490,856
Provision for impairment loss	12,106,337	9,364,808
Software maintenance costs	11,196,200	13,691,190
Retirement benefit expense	7,419,680	3,991,048
Commission expense	6,095,361	3,946,072
Insurance	5,742,071	5,340,099
Dues and subscriptions	3,894,122	1,813,474
Repairs and maintenance	2,086,502	1,370,200
Others	5,459,818	2,813,507
	₱522,447,111	₱421,248,502

Others mainly comprise of bank charges and other administrative expenses.

16. Income Taxes

Provision for (benefit from) income tax consists of:

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Current	₱105,804,046	₱128,225,685
Deferred	(5,699,947)	(38,109,354)
	₱100,104,099	₱90,116,331

Details of the Group's deferred income tax assets as at March 31, 2017 and December 31, 2016 follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Retirement benefit liability	₱215,730,938	₱212,833,851
Accrued bonus and leave credits	33,149,516	34,764,344
Allowance for impairment loss	20,340,397	16,708,496
Deferred lease liability	11,009,669	11,062,231
MCIT	255,394	255,394
NOLCO	—	209,623
Capitalized borrowing costs	(575,669)	(628,002)
Unrealized foreign exchange losses	(750,116)	(1,868,793)
Others	1,014,248	1,043,226
	₱280,174,377	₱274,380,370

17. Lease Commitments

(a) Operating Lease

The following are the operating lease agreements entered into by the Group:

1. Operating lease agreement covering its current corporate office space for a period of five years from October 20, 2016. The lease agreement is renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. The lease agreement includes rental rate escalations during the term of the lease. The lease agreement also requires the Group to pay security deposits.
2. Operating lease agreements covering various service centers and service points within the Philippines for a period of two to five years, renewable at the Group's option at such terms and conditions which may be agreed upon by both parties. These lease agreements include provision for rental rate escalations including payment of security deposits and advance rentals.
3. Operating lease agreement with a local bank covering transportation equipment for a period of three years. The lease agreement does not include escalation rates on monthly payments.

There are no contingent rents for the above lease agreements.

Rent expense was recognized as follows:

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Cost of services	₱140,180,660	₱124,268,460
Operating expenses	56,823,258	47,233,202
	₱197,003,918	₱171,501,662

The Group has outstanding refundable security deposits arising from the said operating lease agreements amounting to ₱232.44 million and ₱226.26 million as at March 31, 2017 and December 31, 2016, respectively.

The future minimum lease payments from the non-cancellable operating lease agreements follow:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	₱871,886,026	₱761,315,955
Later than 1 year but not later than 5 years	3,409,726,226	3,346,283,230

(b) Finance lease

These involve leases of transportation equipment which were accounted for as finance leases. The components of the finance lease obligation as at March 31, 2017 and December 31, 2016 arising from these leases are as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Gross finance lease obligations		
Not later than one year	₱43,808,408	₱62,083,010
Later than 1 year but not later than 5 years	48,795,921	44,422,597
	92,604,329	106,505,607
Future finance lease charges on the finance lease		
Not later than one year	(6,121,077)	(11,256,327)
Later than 1 year but not later than 5 years	(4,158,696)	(8,054,301)
	(10,279,773)	(19,310,628)
	₱82,324,556	₱87,194,979

The present value of minimum lease payments is as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Not later than 1 year	₱37,687,331	₱50,826,683
Later than 1 year but not later than 5 years	44,637,225	36,368,296
	₱82,324,556	₱87,194,979

Interest expense on the above finance lease obligation charged to finance costs amounted to ₱3.07 million and ₱2.98 million for the three months ended March 31, 2017 and 2016, respectively.

18. Retirement Benefits

The components of liability recognized in the interim consolidated statements of financial position for the existing retirement plan is as follows:

	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Present value of defined benefit obligation	₱752,441,763	₱743,821,499
Fair value of plan assets	(23,723,163)	(22,794,838)
	₱728,718,600	₱721,026,661

The group has no existing transaction either directly or indirectly through its subsidiaries, with its employees' retirement benefit fund.

The pension cost for the interim period and the present value of the defined benefit obligation as of March 31, 2017 were calculated by extrapolating the latest actuarial valuation report of the Group.

19. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, trade and other receivables, due from related parties, available-for-sale investments and 'short-term investments' under other current assets.

The Group's financial liabilities comprise of accounts and other payables, due to related parties, notes payable, transmissions liability, finance lease liabilities and other noncurrent liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized as follows:

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.

The following table shows the effect on other comprehensive income should the change in the close share price of quoted and unquoted equity securities occur as of March 31, 2017 and 2016 with all other variables held constant.

	Effect on other comprehensive income	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Change in share price		
Increase by 5%	₱25,933,799	₱15,310,881
Decrease by 5%	(₱25,933,799)	(₱15,310,881)

Interest rate risk

The Group is not significantly exposed to interest rate risk as the Group's interest rate on its cash and cash equivalents and notes payable is fixed and none of the Group's financial assets and liabilities is measured at fair value. The impact of fluctuation on interest rates on the Group's finance leases will not significantly impact the results of operations.

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 ensures that sufficient liquid assets are available to meet short-term funding and regulatory capital requirements.

The Group has a policy of regularly monitoring its cash position to ensure that maturing liabilities will be adequately met.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management believes that cash generated from operations is sufficient to meet daily working capital requirements.

Surplus cash is invested into a range of short-dated money time deposits, which seek to ensure the security and liquidity of investment while optimizing yield.

The Group expects to generate cash flows from its operating activities mainly on sale of services. The Group also has sufficient cash and adequate amount of credit facilities with banks to meet any unexpected obligations.

Foreign currency risk

Foreign currency risk is the risk that the future cash flows of financial assets and financial liabilities will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the Group's operating activities when revenue or expenses are denominated in a different currency from the Group's functional currency.

The Group operates internationally through its various international affiliates by fulfilling the money remittance and cargo delivery services of these related parties. This exposes the Group to foreign exchange risk primarily with respect to Euro (EUR), Hongkong Dollar (HKD), Australian Dollar (AUD) Taiwanese Dollar (TWD), US Dollar (USD), Great British Pound (GBP) and Canadian Dollar (CAD). Foreign exchange risk arises from future commercial transactions, foreign currency denominated assets and liabilities and net investments in foreign operations.

The Group enters into short-term foreign currency forwards, if needed, to manage its foreign currency risk from foreign currency denominated transactions.

Information on the Group's foreign currency-denominated monetary assets recorded under "trade and other receivables" in the consolidated statements of financial position and their Philippine Peso equivalents follow:

	March 31, 2017 (Unaudited)	
	Foreign currency	Peso equivalent
Euro	2,918,740	155,393,718
Hongkong Dollars	15,676,100	101,581,128
Australian Dollars	1,259,731	48,613,019
Taiwanese Dollars	66,648,834	109,304,088
US Dollars	977,342	49,130,982
Great British Pound	219,736	13,746,684

The translation exchange rates used were ₱53.24 to EUR 1, ₱6.48 to HKD 1, ₱38.59 to AUD 1, ₱1.64 to TWD 1, ₱50.27 to USD 1 and ₱62.56 to GBP 1 in 2017.

	December 31, 2016 (Audited)	
	Foreign currency	Peso equivalent
Euro	2,851,734	₱150,600,073
Hongkong Dollars	17,813,579	114,363,177
Australian Dollars	2,768,961	103,033,039
Taiwanese Dollars	59,719,397	93,759,453
US Dollars	1,249,172	62,171,290
Great British Pound	194,844	12,039,411

The translation exchange rates used were ₱52.81 to EUR 1, ₱6.42 to HKD 1, ₱37.21 to AUD 1, ₱1.57 to TWD 1, ₱49.77 to USD 1 and ₱61.79 to GBP 1 in 2016.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as at December 31, 2016 and 2015.

Reasonably possible change in foreign exchange rate for every two units of Philippine Peso	Increase (decrease) in income before tax	
	March 31, 2017 (Unaudited)	December 31, 2016 (Audited)
₱2	₱175,400,966	₱169,195,374
(2)	(175,400,966)	(169,195,374)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Group recognized ₱23.84 million and ₱32.04 million foreign exchange gains - net, for the three months period ended March 31, 2017 and 2016, respectively, arising from settled

transactions and translation of the Group's cash and cash equivalents, trade receivables, trade and other payables.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

The maximum credit risk exposure of the Group's financial assets is equal to the carrying amounts in the consolidated statements of financial position.

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

Capital Management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide shareholder returns and to maintain an optimal capital structure to reduce the cost of capital and thus, increase the value of shareholder investment.

In order to maintain a healthy capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts. Management has assessed that the Group is self-sufficient based on historical and current operating results.

The capital that the Group manages is equal to the total equity as shown in the consolidated statements of financial position at March 31, 2017 and December 31, 2016 amounting to ₱2,681.84 million and ₱2,462.99 million, respectively.

20. Fair Values

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties, short-term cash investments, accounts and other payables, transmissions liability and the current portion of notes payable and lease liabilities approximate their fair value. These financial instruments are relatively short-term in nature.

The fair value of quoted AFS investment is the current closing price while the unquoted AFS investment is based on the published net asset value per unit as of reporting date.

The estimated fair value of long-term portion of notes payable is based on the discounted value of future cash flow using applicable rates ranging from 4.14% to 4.20%.

The fair value of the long-term portion of lease liabilities is based on the discounted value of future cash flow using applicable interest rates ranging from 7.50% to 8.00% for 2017 and 2016.

The estimated fair value of other noncurrent liabilities is based on the discounted value of future cash flow using applicable rate of 12.28%.

The discounting used Level 3 inputs such as projected cash flows and other market data.

The Group's investment in AFS are already at fair value. The unquoted AFS investment presented under current asset is classified under the Level 2 category as at March 31, 2017 while the quoted investment under noncurrent assets is classified under the Level 1 category as at March 31, 2017 and December 31, 2016.

During the three months ended March 31, 2017 and year ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

21. Segment Reporting

Management has determined the operating segments based on the information reviewed by the executive committee for purposes of allocating resources and assessing performance.

The Group's two main operating segments comprise of logistics and money transfer services. The executive committee considers the business from product perspective.

The Group's logistics products are geared toward both retail and corporate clients. The main services offered under the Group's logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport).

Money transfer services comprise of remittance services (including branch retail services, prepaid remittance cards and online and mobile remit) and bills payment collection and corporate remittance payout services. Money transfer services include international presence through its branches which comprises international inbound remittance services.

The Group only reports revenue line item for this segmentation. Assets and liabilities and cost and expenses are shared together by these two segments and, as such, cannot be reliably separated.

The following table presents the amount of revenues generated from these segments:

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Logistics		
Retail	₱1,385,623,012	₱1,151,188,610
Corporate	795,382,896	598,929,554
	2,181,005,908	1,750,118,164
Money transfer services		
Domestic	257,187,945	286,968,863
International inbound	19,991,607	29,389,617
	277,179,552	316,358,480
	₱2,458,185,460	₱2,066,476,644

The revenue of the Company consists mainly of sales to external customers. Revenue arising from service fees charged to affiliates amounted to ₱91.48 million and ₱86.81 million in March 31, 2017 and 2016, respectively.

Seasonality of Operations

The Group's operation tends to experience increased volume in remittance transmission as well as cargo throughout the second quarter and fourth quarter of the year, particularly during the start of the school year and during the holiday season.

22. Basic/Diluted Earnings Per Share

	For the three months ended	
	March 31, 2017 (Unaudited)	March 31, 2016 (Unaudited)
Net income attributable to equity holder of the Parent Company	₱229,491,376	₱208,465,956
Divided by the weighted average number of common shares outstanding	1,425,865,471	1,425,865,471
	₱0.16	₱0.15

23. Note to Consolidated Statement of Cash Flows

In 2017, the Group has the following non-cash transactions under:

Investing activities

- a.) Unpaid acquisitions of property and equipment amounted to ₱6.00 million during the year.

Financing activities

- a.) Accrued interest amounted to ₱3.15 million.

24. Other Matters

Closure of LBC Development Bank, Inc.

On September 9, 2011, the BSP, through Monetary Board Resolution No. 1354, resolved to close and place LBC Development Bank Inc.'s (the "Bank") assets and affairs under receivership.

On December 8, 2011, the Philippine Deposit Insurance Company (PDIC), as the official receiver and liquidator of closed banks, demanded on behalf of the Bank that LBC Holdings USA Corporation (LBC US) pay for its alleged outstanding obligations to LBC Bank amounting to approximately ₱1.00 billion, a claim that LBC US has denied as being baseless and unfounded. No further demand on this matter has been made by the PDIC since then, although there are no assurances that the claim has been waived or abandoned in whole or in part, or that the PDIC will not institute relevant proceedings in court or serve another demand letter to LBC US.

In relation to the Bank's closure and receivership, as discussed in Note 13, the receivables amounting to ₱295.00 million were written-off in 2011.

On March 17 and 29, 2014, the PDIC's external counsel sent letters to LBCE, demanding collection of the alleged amounts totaling ₱1.79 billion. On March 24 and 29, 2014, July 29, 2014, June 17, 2015 and June 26, 2015, the same legal counsel sent collection letters addressed to LBC Systems, Inc. [Formerly LBC Mundial Inc.] [Formerly LBC Mabuhay USA Corporation], demanding the payment of amounts aggregating to ₱911.59 million, all on behalf of the Bank.

On May 15, 2015, the Department of Justice ("DOJ") issued subpoenas to some of the stockholders of the Bank, directing them to submit their counter-affidavits in connection with the conduct of a preliminary investigation over a complaint filed by the PDIC. The preliminary investigation is an inquiry to determine whether there is sufficient ground that the offenses alleged have been committed, and if trial should be held. The stockholders submitted their counter-affidavits, and the matter is now submitted for resolution by the DOJ.

On November 2, 2015, the Bank, through PDIC, filed a civil case against LBCE and LBCDC before the regional trial court of Makati ("RTC"), among other respondents, for a total collection of an alleged amount of ₱1.82 billion (the "Complaint"). The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The increase in the amount from the demand letter to the amount contained in the case was explained by PDIC in the complaint as attributable to their discovery that the supposed payments of LBCE seem to be unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint and the writ of preliminary attachment, were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted in the following: (a) tagging of the 1,205,974,632 shares of LBCH in the name of LBCDC, and (b) the attachment of various bank accounts of LBCE totaling ₱6.90 million. The tagging of the shares in the record of the stock transfer agent has the effect of preventing the registration or recording of any transfers of shares in the records, unless the writ of attachment is lifted, quashed or discharged.

On January 12, 2016, LBCE and LBCDC, among other defendants, filed with the RTC, a separate Motion to Dismiss the Complaint. On January 21, 2016, LBCE and LBCDC filed their Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC granted LBCE and LBCDC's motion and issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directs the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBCE and LBCDC shall stand in place of the properties so released and shall serve as security to satisfy any final judgment in the case.

In a joint resolution dated June 28, 2016 (the "Joint Resolution"), the RTC resolved to deny the Motions to Dismiss filed by the defendants, including LBCE. On July 18, 2016, LBCE, together with the other defendants, filed a Motion for Reconsideration of the Joint Resolution. PDIC then filed its Comment/ Opposition on August 10, 2016, followed by the defendants' reply on August 26, 2016, PDIC's Rejoinder on September 26, 2016, and defendants' Sur-Rejoinder on November 16, 2016. Thereafter, in an Order dated January 26, 2017, the Motion for Reconsideration was deemed submitted for resolution. On February 23, 2017, LBCE

received the RTC's resolution denying the Motion for Reconsideration of the Joint Resolution. On February 28, 2017, LBCE filed a Motion for Extension of Time to File Answer, asking for additional period of 15 days, or until March 15, 2017 to file Answers. The ultimate outcome of the case cannot presently be determined.

In relation to the above case, in the opinion of management and in concurrence with its legal counsel, any liability of LBCE is not probable and estimable at this point in time.

25. Subsequent Events

On April 19, 2017, the BOD of LBCH approved the declaration of cash dividends amounting to ₱827.00 million or P0.58 for every issued and outstanding common share. The record date of the entitlement to said cash dividends shall be the end of business day on May 19, 2017 and payment date shall be on June 9, 2017.

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- Supplementary schedules required by Annex 68-E
 - Schedule A: Financial Assets
 - Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)
 - Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements
 - Schedule D: Intangible Assets
 - Schedule E: Long Term Debt
 - Schedule F: Indebtedness to Related Parties
 - Schedule G: Guarantees of Securities of other Issuers
 - Schedule H: Capital Stock
- Map of the relationships of the companies within the Group
- Reconciliation of retained earnings available for dividend declaration
- Schedule of financial soundness indicators
- Schedule of all the effective standards and interpretations

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS
MARCH 31, 2017

Name of issuing entity and association of each issue	Number of shares	Amount shown in the balance sheet	Income received and accrued
Available-for-sale investments			
Quoted - Araneta Properties, Inc.	195,060,074	P448,638,171	P-
Unquoted	-	70,037,816	-
Loans and receivables			
Cash in bank and cash equivalents	-	1,131,803,695	-
Trade and other receivables	-	1,433,853,637	-
Due from related parties	-	1,152,660,941	-
Short term investments	-	27,419,116	-
	-	3,745,737,389	-
		P4,264,413,376	P-

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER
(OTHER THAN RELATED PARTIES)
MARCH 31, 2017

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Non current	Balance at end of period
Fernando G. Araneta, <i>Chief Strategy Officer</i>	₱9,284,395	₱1,500,000	₱-	₱-	₱10,784,395	₱-	₱10,784,395
Solita S. Delantar <i>Independent Director</i>	12,599	-	-	-	12,599	-	12,599
	₱9,296,994	₱1,500,000	₱-	₱-	₱10,796,994	₱-	₱10,796,994

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS
MARCH 31, 2017

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
LBC Express, Inc.	P118,999,179	P843,356,203	(P262,890,095)	P-	P699,465,287	P-	P699,465,287
LBC Express, Inc. - MM	119,317,773	57,561,621	(50,143,672)	-	126,735,722	-	126,735,722
LBC Express, Inc. - SCC	15,767,573	43,005,506	(37,877,667)	-	20,895,413	-	20,895,413
LBC Express, Inc. - NEMM	27,196,848	29,986,368	(27,120,311)	-	30,062,906	-	30,062,906
LBC Express, Inc. - NWMM	41,129,349	30,715,048	(27,358,209)	-	44,486,187	-	44,486,187
LBC Express, Inc. - EMM	23,596,382	19,198,189	(17,167,507)	-	25,627,063	-	25,627,063
LBC Express, Inc. - SMM	23,003,835	32,851,197	(27,834,266)	-	28,020,766	-	28,020,766
LBC Express, Inc. - CMM	25,769,450	27,660,825	(28,741,178)	-	24,689,098	-	24,689,098
LBC Express, Inc. - SL	67,917,354	58,389,072	(48,392,717)	-	77,913,708	-	77,913,708
LBC Express, Inc. - SEL	51,213,377	38,918,452	(34,029,870)	-	56,101,960	-	56,101,960
LBC Express, Inc. - CL	35,572,579	41,291,012	(36,258,017)	-	40,605,573	-	40,605,573
LBC Express, Inc. - NL	38,664,706	40,125,895	(33,394,014)	-	45,396,587	-	45,396,587
LBC Express, Inc. - VIS	76,627,883	58,134,713	(48,960,657)	-	85,801,939	-	85,801,939
LBC Express, Inc. - WVIS	44,867,317	39,104,380	(32,200,094)	-	51,771,603	-	51,771,603
LBC Express, Inc. - MIN	53,469,352	45,349,514	(38,457,574)	-	60,361,291	-	60,361,291
LBC Express, Inc. - SEM	41,759,845	29,402,142	(25,279,591)	-	45,882,396	-	45,882,396
LBC Express, Inc. - SMCC	14,327,899	8,634,623	(58,026,403)	-	(35,063,882)	-	(35,063,882)
LBC Express, Inc. - ESI	(6,943,532)	5,181,959	(4,733,848)	-	(6,495,421)	-	(6,495,421)
LBC Express, Inc. - SCS	13,366,812	44,057,242	(48,094,343)	-	9,329,710	-	9,329,710
LBC Systems, Inc.	(59,455,316)	10,432,382	(9,034,437)	-	(58,057,370)	-	(58,057,370)
LBC Express WLL	(19,187,139)	(11,707,087)	23,476,479	-	(7,417,747)	-	(7,417,747)
LBC Express Bahrain WLL	(36,911,391)	(1,114,138)	539,601	-	(37,485,929)	-	(37,485,929)
LBC Express LLC	(60,481,564)	(2,095,015)	3,439,258	-	(59,137,321)	-	(59,137,321)
	P649,588,571	P1,488,440,101	(P868,539,133)	P-	P1,269,489,539	P-	P1,269,489,539

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS
MARCH 31, 2017

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Disposals	Reclassifications	Ending balance
Software	₱202,907,087	₱ 2,276,108	(₱12,618,157)	₱-	₱-	₱192,565,038
Development in Progress	63,140,574	1,864,332	-	-	-	65,004,906
	₱266,047,661	₱4,140,440	(₱12,618,157)	₱-	₱-	₱257,569,944

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E: LONG TERM DEBT
MARCH 31, 2017

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current liabilities" in related balance sheet	Amount shown under caption "Noncurrent liabilities" in related balance sheet
Notes payable	₱1,239,335,341	₱566,835,341	₱672,500,000
Obligation under finance lease	82,324,556	37,687,331	44,637,225
Obligation arising from purchase of computer hardware	41,382,075	9,342,682	32,039,394
	₱1,363,041,972	₱613,865,354	₱749,176,619

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F: INDEBTEDNESS TO RELATED PARTIES
MARCH 31, 2017

Name of related party	Balance at beginning of period	Balance at end of period
LBC Development Corporation	P15,694,463	P15,694,463
Other affiliates (various)	2,814,869	2,516,896
	P18,509,332	P18,470,552

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
 SCHEDULE G: GUARANTEES OF SECURITIES OF OTHER ISSUERS
 MARCH 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
MARCH 31, 2017

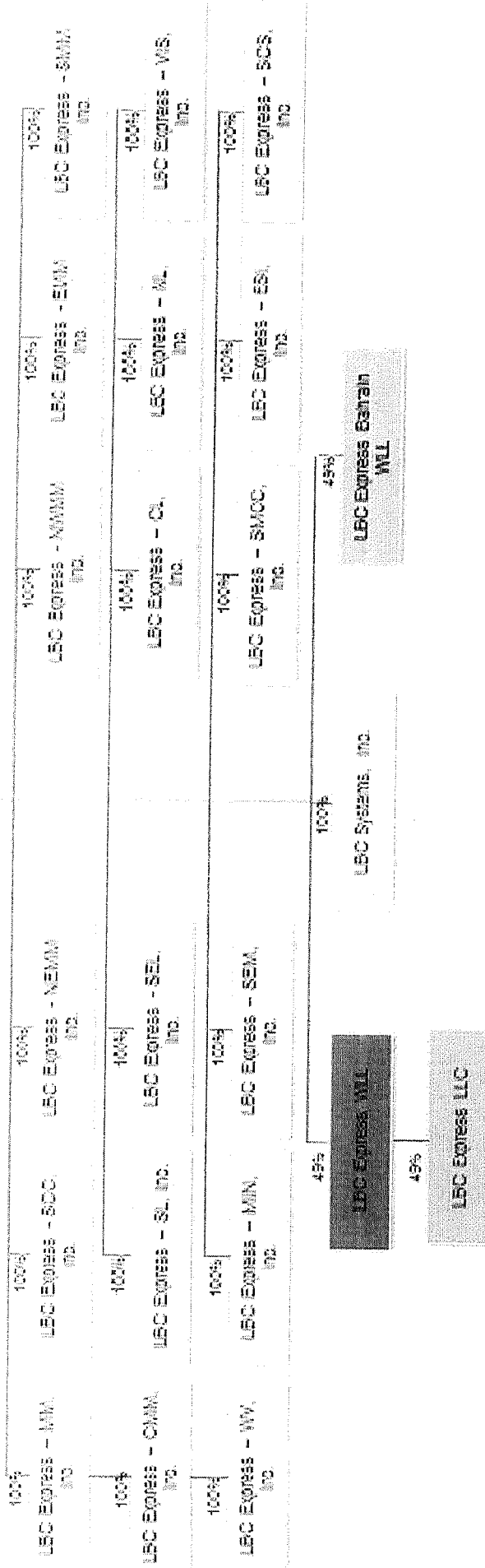
Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - \$1 par value	2,000,000,000	1,425,865,471	—	1,206,080,632	1,006	219,783,833

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
MARCH 31, 2017

LSC Development
Company

25%
LSC Express Holdings
Inc.

100%
LSC Express, Inc.



**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION**

As of March 31, 2017

LBC EXPRESS HOLDINGS, INC.

General Aviation Center, Domestic Airport, Pasay City, Metro Manila

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	₱8,270,395
Add: Net Income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	841,561,769
Less:	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents); Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of investment property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred tax assets	—
Subtotal	—
 Add: Non actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS / GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
 Add(Less):	
Dividend declarations during the period	—
Appropriations of Retained Earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
Effect of pooling-of-interest method	—
Total Retained Earnings, end	
Available for dividend declaration	₱849,832,164

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017 AND FOR THE YEAR
ENDED DECEMBER 31, 2016

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the three months period ended March 31, 2017 and for the year ended December 31, 2016:

Financial ratios		March 31, 2017	December 31, 2016
Current ratio	Current assets	1.85:1	1.67:1
	Current liabilities		
Debt to equity ratio	Total liabilities	1.43:1	1.70:1
	Stockholders' Equity attributable to Parent Company		
Debt to total assets ratio	Notes Payable + Lease Liabilities + Other Liabilities	0.21:1	0.22:1
	Total assets		
Return on average assets	Net income attributable to Parent Company	3.44%	14.52%
	Average assets		
Book value per share	Stockholders' equity attributable to Parent Company	₱1.92	₱1.76
	Total number of shares		
Earnings per share	Net income attributable to Parent Company	₱0.16	₱0.65
	Total number of shares		

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as "Part I" and "Part II", respectively. It also prescribed the additional schedule requirements for large entities showing a list of all effective standards and interpretations under Philippine Financial Reporting Standards (PFRS).

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Cost			✓
	Amendments to PFRS 1: Meaning of "Effective PFRS"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Definition of Vesting Condition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3	Business Combinations	✓		
	Accounting for Contingent Consideration in a Business Combination			✓
	Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Servicing Contracts	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
	Amendments to PFRS 7: Hedge Accounting (2013 version) *		✓	
PFRS 8	Operating Segments	✓		
	Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments *	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures *		✓	
	Financial Instruments: Classification and Measurement (2010 version) *		✓	
	Amendments to PFRS 9: Hedge Accounting (2013 version) *		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short Term Receivable and Payable	✓		
	Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 16	Leases *		✓	
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses *		✓	
PAS 16	Property, Plant and Equipment	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plan: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24	Related Party Disclosures - Key Management Personnel	✓		
	Related Party Disclosures - Key Management Personnel (Amended)	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 27	Separate Financial Statements	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements		✓	
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures			✓
	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28: Investment Entities			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarification on Ancillary Services			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate *			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs	✓		

* These standards are not yet effective as of December 31, 2016.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- IFRS 15, *Revenue from Contracts with Customers* (effective January 1, 2018)

Standards tagged as "Not applicable" have been adopted by the Group but have no significant covered transactions for the period ended March 31, 2017.

Standards tagged as "Not adopted" are standards issued but not yet effective as of March 31, 2017. The Group will adopt the Standards and Interpretations when these become effective.

STRICTLY CONFIDENTIAL

SUMMARY OF KEY TERMS

I. Convertible Instrument Purchase Agreement

Item	Subject	Summary
1	Parties	LBC Express Holdings, Inc. ("Company") CP Briks Pte. Ltd. ("Purchaser" or "CPG")
2	Transaction	On Closing Date, The Purchaser shall subscribe to and purchase from the Company and the Company hereby shall sell, transfer and deliver to the Purchaser a secured convertible instrument due 2024 of the Company in the aggregate principal amount of US\$50,000,000.00 (the "Instrument").
3	Purchase Price	US\$50,000,000.00
4	Use of Funds	The proceeds of the Instrument shall be used to fund the growth of the business of the Company, including capital expenditures and working capital.
5	Closing Date/Issuance Date	15 business days from the satisfaction of conditions precedent
6	Principal	US\$50,000,000.00
7	Interest	0.00%
8	Maturity Date	7 th anniversary of Closing Date
9	Payment Date	On Maturity Date, the Company shall pay to the holder of the Instrument an amount in cash representing all outstanding principal.
10	Conversion Rate	The number of Common Shares issuable upon conversion of any Conversion Amount shall be equal to (x) such Conversion Amount divided by (y) the Conversion Price.
11	Conversion Amount	Means the PhP equivalent (based on the applicable PhP-US\$ exchange rate) of the principal amount of the Instruments to be converted with respect to which this determination is being made.
12	Conversion Price	Means, as of any conversion date or other date of determination, initially Thirteen Pesos (PhP13.00), subject to adjustment in accordance with the terms of the Instrument.
13	Company Conversion	At any time after obtaining pre-approval from the PSE for the listing of the underlying shares, 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 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

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		<p>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 6 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.</p> <p>At any time after obtaining pre-approval from the PSE of the listing of the underlying shares, 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.</p>
14	Mandatory Redemption	<p>At any time after thirty (30) months from the Issuance Date, the Holder shall have the right to require the Company to redeem all, or, as the case may be, such portion of the Instrument which has not yet been previously converted by the Holder and/or the Company provided that the Holder provides written notice to the Company ("Mandatory Redemption Notice") which notice shall indicate the Principal amount of the Instrument that the Holder is electing to require the Company to redeem. Each portion of the Instrument shall be redeemed by the Company at a price equal to 100% of the Conversion Amount plus an IRR equal to 13% (inclusive of applicable tax, which shall be for the account of the Holder) ("Mandatory Redemption Price"); provided however, the Mandatory Redemption Price shall be: (1) 12% (inclusive of applicable tax, which shall be for the account of the Holder) if the Mandatory Redemption Notice is delivered after the fourth (4th) anniversary of the Issuance Date; (2) 11% (inclusive of applicable tax, which shall be for the account of the Holder) if the Mandatory Redemption Notice is delivered after the fifth (5th) anniversary of the Issuance Date; and (3) 10% (inclusive of applicable tax, which shall be for the account of the Holder) if the Mandatory Redemption Notice is delivered after the sixth (6th) anniversary of the Issuance Date.</p>
15	Redemption in the Event of Change of Control	<p>No sooner than five business days nor later than 10 business days following the consummation of a change of control, the Company shall deliver to the holders a written notice thereof. At any time during the period beginning after the date of such notice and ending 10 trading days after the date of such notice, any holder may elect to convert its instrument and sell the converted common shares at the price offered by the purchaser in the change of control transaction or require the Company to redeem all or any portion of the Instrument by delivering written notice thereof to the Company.</p> <p>Each portion of the Instrument subject to redemption shall be redeemed by the Company at a price equal to 100% of the conversion amount plus an internal rate of return equal to 13% (inclusive of applicable tax, which shall be for the account of the holder) (the "Change of Control Redemption Price"); provided, however, that the Change of Control</p>

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		Redemption Price shall be: (i) 12% (inclusive of applicable tax, which shall be for the account of the holder) if the notice is delivered after the 4 th anniversary of the Issuance Date; (ii) 11% (inclusive of applicable tax, which shall be for the account of the holder) if the notice is delivered after the 5 th anniversary of the Issuance Date; (iii) 10% (inclusive of applicable tax, which shall be for the account of the holder) if the notice is delivered after the 6 th anniversary of the Issuance Date.
16	Events of Default	<p><i>Events of Default</i></p> <p>Each of the following shall constitute an event of default:</p> <p>(a) the Company fails to cure a conversion failure or provides notice to the holder of the Instrument of its intention not to comply with a request for conversion into common shares of the tendered Instrument;</p> <p>(b) the Company fails to pay the holder any amount of principal when and as due under the Instrument</p> <p>(c) the Company fails to provide a notice of the occurrence of a change of control on a timely basis</p> <p>(d) the Company defaults in the payment when due, after the expiration of any applicable grace period, of principal of, or interest on, indebtedness of the Company for borrowed money, the aggregate outstanding amount of which is US\$5 million or any other defaults on any indebtedness of the Company in excess of US\$5 million such that such indebtedness is accelerated unless such indebtedness is discharged, or such acceleration is cured, waived, rescinded or nullified where, in each case, such default continues for a period of 45 days after written notice is received by the Company</p> <p>(e) (i) the commencement by the Company of a voluntary case or proceeding under any applicable bankruptcy or similar law ("Bankruptcy Law"), (ii) the entry of an order for relief against the Company in an involuntary case, unless stayed, suspended, reversed or otherwise dismissed or held in abeyance by a competent court within 45 days thereof, (iii) the consent of the Company to appoint a receiver, trustee, assignee, liquidator, custodian or similar officer (a "Custodian"), (iv) the making by the Company of a general assignment for the benefit of its creditors, (v) the filing by the Company or a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law in the context of a bankruptcy, insolvency or reorganization proceeding or the consent of the Company to the filing of such petition, or (vi) the admission in writing by the Company that it is generally unable to pay its debts as they become due</p> <p>(f) the entry by a court of competent jurisdiction in the premises of any order or decree under any applicable Bankruptcy Law for relief in respect of the Company in an involuntary case or proceeding, or a decree or order adjudging the Company to be bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or relief under any Bankruptcy Law, or appointing a Custodian of the Company or ordering the liquidation of the Company, in each case, unless such order has been duly stayed, suspended, reversed or otherwise</p>

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		<p>dismissed or held in abeyance by a competent court within 45 days thereof</p> <p>(g) the entry of a final judgment by a court of competent jurisdiction for the payment of money aggregating in excess of US\$10 million against the Company and which judgment is not, within 45 days after entry thereof, bonded, discharged or stayed pending appeal, or is not discharged within 45 days after the expiration of such stay; provided, that any judgment which is covered by an insurance or indemnity from a creditworthy party shall not be included in calculating the US\$10 million amount so long as the Company provides the holder a written statement from such insurer or indemnity provider (in a form reasonably satisfactory to the required holder) to the effect that such judgment is covered by insurance or an indemnity and the Company will receive the proceeds of such insurance or indemnity within 45 days of the issuance of such judgment</p> <p>(h) other than as specifically set forth in (a), the Company breaches any other term or condition of this Instrument and the default continues for a period of 60 days after written notice of such breach demanding the Company to remedy the same shall have been given to the Company by the required holders</p> <p>(i) within 1 month from the Issuance Date, the Company fails to discontinue payments of royalties to LBC Development Corporation ("LBCDEV") or its affiliates</p> <p>(j) any breach of the transaction documents, including the pledge agreement</p> <p>(k) the sale by LBCDEV of 10% or more of the Company's common shares to a foreign investor without the consent of the holder</p> <p><i>Consequences of a Default</i></p> <p>If an event of default shall have occurred and be continuing, the holder may require the Company to redeem all or any portion of the Instrument, provided the holder provides written notice to the Company within the applicable period. Each portion of the Instrument subject to redemption shall be redeemed by the Company at a price equal to 100% of the conversion amount plus an internal rate of return equal to 16% (inclusive of applicable tax, which shall be for the account of the holder).</p> <p><i>Other rights of CPG in case of Default</i></p> <p>CPG shall be entitled to exercise all its rights, powers and remedies vested under the pledge agreement (and related transaction agreements), including: (i) receive all amounts payable and all property and instruments deliverable in respect of the relevant pledged collateral; (ii) vote all or any part of the shares forming part of the pledged collateral; and (iii) proceed before a notary public for the sale of the pledged collateral at a public auction.</p>
17	Security	<p>The obligations of the Company under the Instrument shall be secured by a pledge over all of the Company's shares in LBC Express, Inc. in</p>

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		favor of CPG, 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 LBCDEV.
18	Governing Law	The agreement shall be governed by and construed in accordance with the Philippine law without giving effect to any conflicts of laws principles thereof that would otherwise require the application of the law of any other jurisdiction.

II. Pledge Agreement

Item	Subject	Summary
1	Parties	LBC Development Corporation (LBCDEV) as pledgor LBC Express Holdings, Inc. (LBCEH) as pledgor CP Briks Pte. Ltd. (CPG) as pledgee
2	Benefit of Pledge	The pledge is and shall be constituted in favor of CPG for CPG's benefit, to secure the payment of the Secured Obligations.
3	Secured Obligations	All loans, advances, debts, liabilities, obligations and amounts, howsoever arising, owed by the Company to CPG under or in connection with the Instrument
4	Creation of Pledge	On the Closing Date, LBCDEV shall grant to CPG a first-priority security interest in the LBCDEV Pledged Collateral as security for the full payment and performance of the Secured Obligations, in accordance with the terms and conditions set forth in the Pledge Agreement (the "LBCDEV Pledge"). Effective as of the day before the termination of the LBCDEV Pledge, LBCEH shall grant to CPG a first-priority security interest in the LBCEH Pledged Collateral as security for the full payment and performance of the Secured Obligations, in accordance with the terms and conditions set forth in the Pledge Agreement.
5	Pledged Collateral	Means, as applicable, (i) the shares of stock of LBCEH owned by LBCDEV in the aggregate number of 727,191,391 common shares, representing fifty one percent (51%) of LBCEH's issued share capital ("LBCDEV Pledged Collateral"); and (ii) the common shares of stock of LBC Express, Inc. owned by LBCEH in the aggregate number of 1,041,180,504 common shares, representing one hundred percent (100%) of LBC Express, Inc.'s issued share capital, including after-acquired shares ("LBCEH Pledged Collateral").
6	Termination of LBCDEV Pledged Collateral	Upon execution and delivery by LBCEH and CPG of a Pledge Supplement granting CPG a continuing security interest of first priority in the LBCEH Pledged Collateral and delivery by LBCEH to CPG of the LBCEH Pledged Collateral.
7	Termination of LBCEH Pledged Collateral	The date on which all Secured Obligations have been fully and finally discharged to CPG's satisfaction, whether or not as the result of enforcement.

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Item	Subject	Summary
8	Governing Law	The Pledge Agreement shall be governed and interpreted by, and construed in accordance with the laws of the Philippines.