Consolidated Financial Statements
And Supplementary Information

LBC MUNDIAL CORPORATION
And SUBSIDIARY

(A Wholly-Owned Subsidiary of
LBC Holdings USA Corporation)

Report of Independent Auditors
November 30, 2017

TABLE OF CONTENTS

SABOCOR & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
LBC Mundial Corporation
Hayward, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of LBC Mundial Corporation and Subsidiary (the "Company"), which comprise the consolidated balance sheet as of November 30, 2017, and the related consolidated statements of income, changes in stockholder's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

767 North Hill Street • Los Angeles, CA 90012 • Phone (213) 229-0044 • Fax (213) 229-0040

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LBC Mundial Corporation and its Subsidiary as of November 30, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary information (which consists of the supplemental consolidating balance sheet and supplemental consolidating statement of operations) is presented for the purpose of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Sabocon & Co., LLP

February 23, 2018
Los Angeles, California

LBC MUNDIAL CORPORATION AND SUBSIDIARY
Consolidated Balance Sheet
November 30, 2017

ASSETS

Current assets		
Cash (Note 1)	$	5,227,984
Accounts receivable (Note 1)		102,362
Due from related parties (Note 3)		995,930
Supplies inventory		398,376
Prepaid expenses (Note 4)		548,865
		7,273,517
Investments		-
Property and equipment, net (Note 2)		100,095
Non-current assets		
Cash in lieu of license bond		50,000
Refundable deposits		164,115
Due from related parties (Note 3)		670,642
Deferred tax assets (Note 7)		150,052
Other non-current assets		138,360
		1,173,169
Total assets	$	8,546,781

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Accounts payable and accrued expenses	$	1,007,063
Outstanding transmission liability (Note 5)		309,032
Due to affiliates (Note 3)		310,753
Income tax payable		45,801
Pension fund payable		(4,063)
		1,668,586
Stockholder's equity		
Common stock, $1 par value, 10,000,000 shares authorized, 4,192,546 shares issued and outstanding		4,192,546
Paid in capital		370,585
Retained earnings		2,315,064
		6,878,195
Total liabilities and stockholder's equity	$	8,546,781

The accompanying notes are an integral part of the consolidated financial statements.

LBC MUNDIAL CORPORATION AND SUBSIDIARY

Consolidated Statement of Income

For the year ended November 30, 2017

Revenues		
Cargo	$	25,080,878
Remittance fees, net		3,472,718
Others		519,410
Refunds, claims and losses		(77,331)
		28,995,675
Direct shipping and delivery costs		10,567,465
Revenues, net		18,428,210
Expenses		
Compensation and benefits		8,211,574
Occupancy (Note 6)		1,412,949
Depreciation (Note 2)		80,934
General and administrative		8,001,320
		17,706,777
Income from operations		721,433
Interest income		31,077
Income before income tax		752,510
Provision for income tax (Note 7)		247,988
Net income	$	504,522

The accompanying notes are an integral part of the consolidated financial statements.

LBC MUNDIAL CORPORATION AND SUBSIDIARY

Consolidated Statement of Changes in Stockholder's Equity

For the year ended November 30, 2017

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total
Balance at November 30, 2016	$ 4,192,546	$ 370,585	$ 1,810,542	$ 6,373,673
Net income			504,522	504,522
Balance at November 30, 2017	$ 4,192,546	$ 370,585	$ 2,315,064	$ 6,878,195

The accompanying notes are an integral part of the consolidated financial statements.

LBC MUNDIAL CORPORATION AND SUBSIDIARY

Consolidated Statement of Cash Flows

For the year ended November 30, 2017

Cash flows from operating activities		
Net income	$	504,522
Adjustments to reconcile net income to net cash provided by		
(used in) operating activities		
Depreciation and amortization		80,934
Changes in operating assets and liabilities		
Accounts receivable		215,703
Due from related parties		35,141
Supplies inventory		(47,144)
Prepaid expenses		215,921
Other assets (current and non-current)		1,115,524
Accounts payable and accrued expenses		315,197
Outstanding transmission liabilities		(172,326)
Due to related parties		182,332
Net cash provided by operating activities		2,445,804
Cash flows from investing activities		
Purchase of property and equipment		(79,086)
Net cash used in investing activities		(79,086)
Net increase in cash		2,366,718
Cash at the beginning of the year		2,861,266
Cash at the end of the year	$	5,227,984
Supplemental cash flow information		
Cash paid for		
Income taxes	$	-
Interest	$	-

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

LBC Mundial Corporation ("LBC") is a wholly-owned subsidiary of LBC Holdings USA Corporation (LBC Holdings). LBC was incorporated under the laws of the State of California on November 3, 1985 as LBC Mabuhay USA Corporation. In December 2002, it changed its name to LBC Mundial Corporation. LBC is engaged as a money transmitter, courier and air/sea door-to-door cargo forwarder to overseas destinations. Its services are provided primarily to residents of California. Approximately 83% and 14% of its revenue is generated from cargo and money remittance operations, respectively. No single customer comprises more than 5% of net revenues.

Principles of Consolidation

The accompanying consolidated financial statements as of November 30, 2017 include the accounts of LBC Mundial Corporation and its wholly owned subsidiary, LBC Mundial Nevada Corporation, after elimination of all material inter-company accounts, transactions, and profits.

Risks and Uncertainties

The Company is subject to regulations by federal and state agencies and those regulations could change, and they do, from time to time. The Company also undergoes periodic examinations by the California Department of Business Oversight and other federal and state regulators.

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and uncollateralized receivables from related parties. The Company also has substantial cash deposits with several banks in the US which exceeds FDIC insurance limit.

Use of Estimates

The Company prepares financial statements in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the accounting period. Actual results could differ from such estimates and disclosures in these financial statements. The most significant estimate relate to depreciation and allowance for doubtful accounts.

Revenue Recognition

In accordance with industry practice, remittance fees are recognized upon recognition of transmission liability. Revenue from cargo operations is recognized when freight is received from the shipper and all direct costs to complete shipment are accrued.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Disclosures

Financial instruments consist of cash, due to/from affiliates and transmission liability. The carrying value of the Company's financial instruments approximates their fair value due to their short-term nature.

Cash

For purposes of reporting cash flows, the Company considers all highly liquid assets such as cash on hand, non-interest and interest bearing amounts due from banks and have a maturity of three months or less when purchased to be cash.

Accounts Receivable

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. The Company continuously reviews amounts due. When there is indication based on experience, collection pattern, and other factors that a receivable may be uncollectible, an allowance for probable losses is recognized by charging provision for probable losses to operations. When management determines the amount to be uncollectible, it is charged to the allowance for probable losses or directly written-off as bad debts.

The need for an allowance for doubtful accounts is reviewed on a regular basis. The Company considers historical experience, the age of the accounts receivable balances, credit quality of the Company's customers, current economic conditions, and other factors that may affect the customer's ability to pay. As of November 30, 2017, management believes that the allowance for doubtful accounts are adequate to reduce accounts receivable to its net realizable value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is charged to operations over the estimated useful lives of the property and equipment, generally five to seven years, using the straight-line method. Leasehold improvements are amortized over the shorter of the remaining life of the lease or the estimated useful life of the improvement. Maintenance, repairs, and minor alterations are charged to current operations as incurred, while major improvements that extend the useful life of an asset are capitalized. Upon the sale or retirement of the assets, the accounts are relieved of the cost and related accumulated depreciation and amortization, and any resulting gain or loss is recognized.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Based upon historical and projected levels of taxable income and analysis of other key factors, the Company may record a valuation allowance against the deferred tax assets, as deemed necessary, to state such assets at their net realizable value.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company recognizes tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. At November 30, 2017, there were no income tax liabilities with respect to uncertain tax positions.

The Company's U.S. federal income tax returns are filed on a consolidated basis with LBC Holdings and its California corporate tax returns are filed separately. The California tax returns for the years 2013 and beyond remain open to examination by the State of California Franchise Tax Board. The federal tax returns for the tax years 2014 and beyond remain subject to examination by the U.S. Internal Revenue Service.

Advertising and Promotion

The Company accounts for advertising as non-direct response advertising. Accordingly, advertising costs are expensed as incurred. Advertising expense for the year amounted to $450,252 accounted for under general and administrative expenses.

New Accounting Pronouncement

In the normal course of business, the Company evaluates all new accounting standards to determine the potential impact they may have on the financial statements. Based upon this review, the Company does not expect any of the recently issued accounting standards, which have not already been adopted by the Company, to have a material impact on the financial statements.

Leases

In February 2016, Financial Accounting Standards Board (FASB) issued an amendment to the *FASB Accounting Standard Codification* and created Topic 842, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and liability for the lessee in accordance with FASB Concepts Statement No.6, *Elements of Financial Statements,* and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases.

The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted for all entities.

Deferred Taxes

On November 20, 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-17, Balance Sheet Classification of Deferred Taxes. The amendment requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet. As a result, each jurisdiction will now only have one net non-current deferred tax asset or liability. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update.

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Company implemented the standard, as early adoption is permitted.

Subsequent Events

The Company evaluated subsequent events through February 23, 2018, the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

The following comprise property and equipment:

Vehicles and equipment	$	3,948,001
Furniture and fixtures		143,575
Leasehold improvements		1,067,003
Total		5,158,579
Less accumulated depreciation		5,058,484
Net property and equipment	$	100,095

Depreciation and amortization amounted to $80,934 in 2017.

NOTE 3 – RELATED PARTY TRANSACTIONS

At November 30, 2017, the following comprise due from related parties:

4% note receivable from LBC Holdings USA Corporation (a)	$	740,392
Due from related parties, not interest bearing (b)		926,180
Total	$	1,666,572
Less current portion of amount due from related parties		995,930
Total non-current	$	670,642

a) In November 2011, the Company paid-off LBC Holding's outstanding mortgage loan with a certain bank. The pay-off amount, together with certain outstanding balance of LBC Holding's note payable to the Company, was consolidated into one promissory note amounting to $1,105,148 at 4% interest, payable in 180 equal monthly installments of $8,175 (principal and interest). Repayments of the note comes primarily from LBC Holdings's rental income. Interest received during the year on the note amounted to $31,077.

NOTE 3 – RELATED PARTY TRANSACTIONS (continued)

b) Due from related parties affiliated through common ownership consists of the following:

LBC Mabuhay North America Corporation, including its subsidiaries	$	254,529
LBC MDP		23818
Spanish Spark Realty		24,961
LBC Mabuhay Hawaii Corporation		7,500
LBC Travel Corporation		37,261
LBC Holdings Corporation		312,094
AGL Logistics		142,969
Advances to officers / employees		123,048
	$	926,180

Following is a summary of related party transactions for the year ended November 30, 2017:

		4% Note Principal (*)		Due From Affiliates
Balance, beginning	$	807,411	$	939,893
Payments received / net change		(67,019)		(13,713)
Balance, end	$	740,392	$	926,180

(*) Note receivable from LBC Holdings USA Corporation, parent company

Due to related parties consists of the following:

LBC Development Corp.	$	203,148
LBC Express		107,220
Others		385
	$	310,753

NOTE 4 – PREPAID EXPENSES

Prepaid expenses at November 30, 2017 consisted of the following:

Prepaid insurance	$ 485,428
Prepaid income taxes	14,482
Other prepaid expenses	48,955
	$ 548,865

NOTE 5 – OUTSTANDING TRANSMISSION LIABILITY

Origination of outstanding transmission liability at November 30, 2017 follows:

California	$ 246,107
Nevada	20,644
Virginia	19,123
Oregon	23,158
Total	$ 309,032

Transmission liability is recognized upon receipt of funds for transmission to customers' named beneficiaries. Liability is reduced when actual delivery to the beneficiary is completed or the beneficiary's bank account is credited.

NOTE 6 – OPERATING LEASES

The Company is obligated under non-cancelable operating leases for retail and office spaces and equipment that expire over the next five years.

Approximate annual minimum lease payments under non-cancelable operating leases of office and retail spaces for the next five years ending November 30 are shown below:

2018	$ 1,287,129
2019	838,615
2020	495,655
2021	134,346
2022 and thereafter	102,449
	$ 2,858,194

Rent expense for the year ended November 30, 2017 amounted to $1,412,949.

NOTE 7– PROVISION FOR INCOME TAX

The Company's California corporate tax return is filed separately. For federal income tax purposes, the Company's income tax return is consolidated into its parent, LBC Holdings. The deferred tax asset or liability and the related income tax expense are based on amounts the Company would have reported if a separate federal return had been filed as of November 30, 2017.

For the year ended November 30, 2017, the provision for income tax consists of the following:

Current	$	-
Deferred		247,988
Total	$	247,988

The following is a reconciliation of the income taxes reported in the financial statements to taxes that would be obtained by applying statutory tax rate (34%) to income before taxes:

Statutory federal income tax	$	255,853
State tax provision, net of federal benefit		43,904
Others		(51,769)
Effective tax	$	247,988

The deferred tax assets relates primarily from differences between book and tax and net operating losses incurred in 2015, net of carryback. Federal and California net operating losses expires in 20 years.

NOTE 8 – BOND COVERAGE

In lieu of securities required by the California Banking Department, States of Virginia, Nevada and Oregon to cover transmission liabilities, the Company carried surety bonds in favor of those states, as follows:

State		Amount of Coverage	Premiums Paid To
California	$	1,050,000	12/07/2018
Virginia		310,000	06/22/2018
Oregon		35,000	09/16/2018
Nevada		50,000	10/18/2018

NOTE 9 – OTHER REVENUES

Other revenues at November 30, 2017 consist of the following:

Boxes/phonecards	$	411,995
Others		107,415
Total	$	519,410

NOTE 10 – EMPLOYEE RETIREMENT PLAN

The Company adopted a qualified retirement plan effective January 1, 1999. All full-time employees, not covered by a union plan, who have completed one (1) year of service and have attained age 21 are eligible to participate. The plan provides for contributions by the Company in such amounts as the Company may annually determine. The Company contributed $55,481 to the plan in 2017.

NOTE 11 – SIGNIFICANT TRANSACTIONS

Direct shipping and delivery costs for 2017 consists of the following:

Freight-in	$	2,510,395
Brokerage, loading, forwarding		5,283,268
Cost of phone cards, ELBC		129,576
Delivery fees - cargo		2,053,724
Delivery fees - remittance		590,501
	$	10,567,464

In the ordinary course of business, the Company engages the services of a Philippine company affiliated by common ownership for the delivery of cargo and funds. In 2017, the Company paid $2,644,225 in delivery fees to this company. In addition, pursuant to the royalty agreement between the Company and the affiliated company, the Company paid $774,718 in royalty fees in 2017. The Company also paid $147,241 in management fees to the same entity in 2017.

NOTE 12 – NEGOTIATIONS FOR THE SALE OF THE COMPANY

The Company's parent company, LBC Holdings USA Corporation is in negotiations with LBC Express Holdings, Inc., a Philippine corporation listed with the Philippine stock exchange, for the sale of the Company, as well as some other subsidiaries of the parent, contingent on the approval of the change in ownership by the money transmitter regulators in the states where these companies operate. LBC Express Holdings, Inc. is the parent company of LBC Express, Inc., the entity engaged by the Company for the delivery of cargo and funds in the Philippines.

LBC Development Corporation, another Philippine corporation, owns approximately 84.5% of the outstanding shares of LBC Express Holdings, Inc. The shareholders of LBC Development Corporation are the same shareholders of LBC Holdings USA Corporation.

LBC MUNDIAL CORPORATION AND SUBSIDIARY

Supplemental Consolidating Balance Sheet

November 30, 2017

ASSETS

	LBC Mundial Corporation	LBC Mundial Nevada Corporation	Eliminating Entry Debit	Eliminating Entry Credit	Total
Current Assets					
Cash	4,980,068	247,916			$ 5,227,984
Accounts receivable	102,191	171			102,362
Due from related parties	1,003,657	32,803		40,530	995,930
Supplies inventory	398,376	-			398,376
Prepaid expenses	548,865	-			548,865
	7,033,157	280,890			7,273,517
Investments	191,258			191,258	-
Property and equipment	100,095	-			100,095
Non-current assets					
Cash in lieu of license bond	-	50,000			50,000
Refundable deposits	164,115				164,115
Deferred tax assets	150,052				150,052
Due from related parties	670,642				670,642
Other non-current assets	138,360				138,360
	1,123,169	50,000			1,173,169
Total Assets	$ 8,447,679	$ 330,890			$ 8,546,781

LIABILITIES AND STOCKHOLDER'S EQUITY

	LBC Mundial Corporation	LBC Mundial Nevada Corporation	Eliminating Entry Debit	Eliminating Entry Credit	Total
Current liabilities					
Accounts payable and accrued expenses	$ 907,806	$ 99,257			$ 1,007,063
Outstanding transmission liability	288,388	20,644			309,032
Due to affiliates	343,356	7,927	40,530		310,753
Income tax payable	33,996	11,805			45,801
Pension fund payable	(4,063)	-			(4,063)
	1,569,483	139,633			1,668,586
Stockholder's equity					
Common stock	4,192,546	100,000	100,000		4,192,546
Paid in capital	370,585				370,585
Retained earnings	2,315,065	91,257	91,258		2,315,064
	6,878,196	191,257			6,878,195
Total Liabilities and Stockholder's Equity	$ 8,447,679	$ 330,890	$ 231,788	$ 231,788	$ 8,546,781

LBC MUNDIAL CORPORATION AND SUBSIDIARY

Supplemental Consolidating Statement of Income

For the year ended November 30, 2017

	LBC Mundial Corporation	LBC Mundial Nevada Corporation	Eliminating Entry	Total
Revenues				
Cargo	$ 25,080,878	$ -		$ 25,080,878
Remittance fees	3,254,030	218,688		3,472,718
Others	523,272	18	(3,880)	519,410
Refunds, claims and losses	(77,328)	(3)		(77,331)
	28,780,852	218,703	(3,880)	28,995,675
Direct shipping and delivery costs	10,530,248	37,217		10,567,465
Net revenue	18,250,604	181,486		18,428,210
Expenses				
Compensation and benefits	8,163,178	48,396		8,211,574
Occupancy	1,407,449	5,500		1,412,949
Depreciation and amortization	80,934	-		80,934
General and administrative	7,877,610	123,710		8,001,320
	17,529,171	177,606	-	17,706,777
Income from operations	721,433	3,880	(3,880)	721,433
Interest income	31,077			31,077
Income before income tax	752,510	3,880	(3,880)	752,510
Provision for income tax	247,988	-		247,988
Net income	$ 504,522	$ 3,880	(3,880)	$ 504,522