COVER SHEET

for

SEC FORM 17-A (ANNUAL REPORT)

SEC Registration Number

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COMPANY NAME

LBC EXPRESS HOLDINGS, INC. AND SUBSIDIARIES

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

LBC HANGAR, GENERAL AVIATION CENTRE, DOMESTIC AIRPORT ROAD, PASAY CITY METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	856-8510	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
486	2nd Monday of June	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Enrique V. Rey, Jr.	evrey@lbcexpress.com	856-8510	

CONTACT PERSON's ADDRESS

LBC Hangar, General Aviation Centre, Domestic Airport Road, 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

Securities and Exchange Commission
Electronic Records Management Division
APR 13 2018
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS
I C T D

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2017**

2. SEC Identification Number: **ASO93-005277**

3. BIR Tax ID No.: **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 principal office and postal code: **LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila 1300**

8. Issuer's telephone number, including area code: **(632) 856-8510**

9. Former name, former address, former fiscal year (if changed since last report):

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

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

    As at December 31, 2017:

Title of each class	Number of shares issued and outstanding
Common Shares	1,425,865,471[1]
Bond payable	896,185,059[2]
Derivative Liability	1,860,373,479[2]

11. Are any or all of these securities listed on a Stock Exchange? Yes (x) No ( )

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common Shares**[3]

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[1] Inclusive of 1,388,357,471 common shares which are exempt from registration.
[2] Related to convertible instrument at an aggregate principal amount of $50 million.
[3] As of December 31, 2017, 40,899,000 common shares have been listed with the Philippine Stock Exchange. The remaining 1,384,966,471 are subject of listing applications filed with the Philippine Stock Exchange.

12. Check whether the issuer:

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

Yes (x) No ( )

b) has been subject to such filing requirements for the past ninety (90) days.
Yes (x) No ( )

13. Aggregate market value of voting stock held by non-affiliates is **₱3,251,354,739 as at April 4, 2018.**[4]

DOCUMENTS INCORPORATED BY REFERENCE

14. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

(a) **2017 Consolidated Audited Financial Statements** (incorporated as reference for items 6, 7 and 12 of SEC Form 17-A)

[4] Inclusive of common shares with pending listing applications.

Unless otherwise specified or the context otherwise requires, all references to the "Company" are to LBC Express Holdings, Inc. (**LBCEH**), its subsidiary LBC Express, Inc. (**LBC Express**) and the subsidiaries of the latter on a consolidated basis. However, references to the "Company", when used in the context prior to the corporate reorganization, are to Federal Resources Investment Group, Inc.

For purposes of presenting the financial condition of the Company, the Company has applied the reverse acquisition method of accounting in view of LBC Express Holdings, Inc.'s acquisition of LBC Express, Inc. whereby LBC Express Holdings, Inc. is treated as the accounting acquiree. Accordingly, the consolidated financial statements of LBC Express Holdings, Inc. have been prepared as a continuation of consolidated financial statements of LBC Express, Inc. and its subsidiaries.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

BUSINESS DEVELOPMENT

CORPORATE REORGANIZATION

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

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

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

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

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

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

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

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

(i) increase in the authorized capital stock of the Company from ₱100 million to up to ₱3 billion in which subsequently approved by SEC on September 18, 2015 at ₱2 billion;
(ii) the issuance of shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation and/or to other investors and/or third parties for the purpose of (a) funding the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc.; (b) funding the acquisition of other potential investments, whether or not related to the business of LBC Express, Inc.; and (c) ensuring compliance by the Company with the minimum public ownership requirements of the PSE;
(iii) the change in the name of the Company to "LBC Express Holdings, Inc."; and
(iv) the change of the trading symbol "FED" to "LBC".

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

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

On September 24, 2015, the Company purchased from LBC Development Corporation a total of 1,041,180,493 shares of stock in LBC Express, Inc. for an aggregate purchase price of ₱1,384,670,966.

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

Involvement in Bankruptcy or Receivership Proceedings

As of the end of December 2017, the Company was not involved in any bankruptcy, receivership or any similar proceedings.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not in the ordinary course of business)

On 24 September 2015, the LBCEH purchased from LBC Development Corporation (LBCDC) a total of 1,041,180,493 shares of stock in LBC Express for an aggregate purchase price of ₱1,384,670,966.

On June 20, 2017, the BOD approved the issuance of convertible bond. Accordingly, on August 04, 2017, LBCEH issued, in favor of CP Briks Pte. Ltd, a seven-year secured convertible instrument in the aggregate principal amount of US$50.0 million (₱2,518.25 million) convertible at any time into 192,307,692 common shares of LBCEH at the option of CP Bricks Pte. Ltd at ₱13.00 per share conversion price, subject to adjustments in accordance with the terms and conditions of the instrument. The instrument is also redeemable, at the option of CP Bricks Pte. Ltd, beginning on the 30th month from issuance date at the redemption price equal to the principal amount plus internal rate of return ranging from 10% to 13%.

The convertible bond is a hybrid instrument containing host financial liability and derivative components for the equity conversion and redemption options. The equity conversion and redemption options were identified as embedded derivatives and were separated from the host contract.

As at December 31, 2017, the carrying value of bond payable amounted to ₱896.19 million and the fair value of the derivative liability amounted to ₱1,860.37 million. The fair value changes of the derivative liability recognized as "Loss on derivative" amounted to ₱199.95 million in 2017. Interest expense arising from the accretion of interest on the bond payable amounted to ₱59.56 million in 2017.

The agreement related to the issuance of convertible bond indicated the following rights and obligations:

a) Within one month from August 4, 2017, the Company shall discontinue any royalty payments to LBCDC for all trademarks, brands and licenses. This was already terminated in September 2017;
b) Within three months from closing date, LBCDC shall procure that LBCEH enters into a binding sale and purchase agreement to acquire the equity interests of the 12 overseas entities. Also, within 12 months from closing date, LBCDC shall procure that LBCEH closes the acquisition of the equity interest of the overseas entities;
c) Within six months following the termination of royalty payments, the Company shall be permitted to make loans and advances to LBCDC and this shall not be considered a Reserved Matter. LBCDC already made an advances amounting to ₱100.00 million as of December 31, 2017.
d) Within six months from closing date, LBCDC shall procure a debt for equity swap between LBC Express and QUADX INC., a local affiliate; and
e) Within 3 months from closing of the acquisition of the equity interests of the overseas entity, LBCDC procure to settle all obligations to the Group.

The following board approvals and acquisitions occurred after the fiscal year ended December 31, 2017 but before the filing of this report:

On February 28, 2018, the BOD of LBCEH approved the incorporation of Diez Equiz Pte Ltd, a Singaporean private limited Company, through subscription of 862 shares or 86% of the total outstanding shares of the entity at USD 1.00 per share. On April 5, 2018, the BOD approved the sale of the same 86% equity interest of Diez Equiz Pte Ltd to Maleka, Inc. at the sale price of USD 1.00 per share.

On March 7, 2018, the BOD of LBCEH approved the purchase of shares of some international affiliates in line with the conditions to the issuance of convertible bond. The acquisition is expected to benefit the Company by contributing to its global revenue streams. On the same date, the share purchase agreements were executed by LBCEH and the international affiliates with a total share purchase price amounting to USD 8.55 million, subject to certain closing conditions.

Below is the list of entities that were acquired by LBCEH:

- LBC Mabuhay Saipan, Inc. which operates as a cargo and remittance company in Saipan. LBCEH purchased 120,000 shares or 100% of the total outstanding shares of the acquiree at purchase price of USD 207,652. The transfer of the ownership of the shares and all rights, titles and interest thereto shall take place following the payment of the consideration.
- LBC Mabuhay Hawaii Corporation which operates as a cargo and remittance company in Hawaii. LBCEH purchased 1,536,408 shares or 100% of the total outstanding shares from LBC Holdings USA Corporation
- LBC Mundial Corporation which operates as a cargo and remittance company in California. LBCEH purchased 4,192,546 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.
- LBC Mabuhay North America Corporation which operates as a cargo and remittance company in New Jersey. LBCEH purchased 1,605,273 shares or 100% or the total outstanding shares from LBC Holdings USA Corporation.

LBC Mabuhay Hawaii Corporation, LBC Mundial Corporation and LBC Mabuhay North America Corporation were purchased by LBC Express Holdings, Inc. at a purchase price of USD 8,432,000. The transfer of the ownership of the shares and all rights, title and interests thereto shall take place following the payment of the consideration defined and shall be subject to the necessary approvals of the US regulatory bodies that oversee and/or regulate the Companies.

On March 19, 2018, the BOD of LBCEH approved to invest and acquire 30% equity interest in Orient Freight International, Inc. (OFII) through the following: (a) by purchasing 1,150,000 common shares held by Rayomar Management, Inc. in OFII; and (b) by subscribing to 3,285,714 common shares out of the unissued capital stock of OFII. This is to diversify the Company's businesses and to realize returns on investments.

On March 19, 2018, the BOD of LBCEH approved the acquisition of 86.11% equity interest in QUADX Inc. in order to diversify the Corporation's businesses. LBCEH shall subscribe to 1,860,214 shares of stock at a subscription price of P100 per share The Board also approved the acquisition of the receivables due to LBC Express which is intended to be converted to equity in QUADX Inc. Correlatively, based on the objective of LBCEH to acquire shares in QUADX Inc., the latter has agreed to convert said debt to equity.

On April 4, 2018, the BOD of LBCEH approved the investment and acquisition of 86% equity interest on QuadX Pte. Ltd. through the following: (a) the purchase of 862 ordinary shares of QuadX Pte. Ltd. held by Fernando Gonzalez Araneta, at the sale price of USD1.00 per share; and (b) the subscription to 85,248 ordinary shares out of the unissued capital stock of QuadX Pte. Ltd. at the subscription price of USD1.00 per share.

LBC HISTORY

LBC Express was initially founded in 1950s as "Luzon Brokerage Corporation." It subsequently changed its name to "LBC Air Cargo, Inc." and operated as a brokerage and air cargo agent. A few years after incorporation, LBC Express evolved into an express delivery service, becoming the first Filipino-owned private courier company to provide time-sensitive deliveries in the Philippines and offer customers an alternative to the Government-owned and operated postal service. In 1973, LBC Express pioneered 24-hour door-to-door express delivery and messengerial services in the Philippines, providing greater convenience to its existing customers and further expanding its market share. LBC Express' name was formally changed to "LBC Express, Inc." on April 26, 1988 to reflect the express delivery services that had come to form its hallmark business. In the 1990s, LBC Express adopted the slogan "Hari ng Padala", or Tagalog for "King of Forwarding Services." LBC Express has now

become the market leader in the Philippine domestic air freight forwarding market and, for the year ended November 30, 2012, had a market share of 41.8% of the domestic air freight forwarding industry in terms of throughput by weight, according to data from the CAB. While LBC Express' logistics business still primarily comprises retail express courier and freight forwarding services, it has also expanded its product mix to offer services targeted at corporate customers, including full container load and less-than-container load sea freight forwarding and end-to-end logistics solutions.

In the early 1980s, LBC Express entered into the domestic remittance business, leveraging the existing branch network of its logistics business as customer contact points for remittance acceptance and fulfillment, growing this business at low marginal cost. Beginning in 1999, LBC Express expanded its money transfer services segment by offering bill payment collection services in the Philippines by serving as a third party collection agent for various vendors throughout the Philippines. In 2006, LBC Express also began providing corporate remittance fulfillment services, such as payouts of government Social Security System benefits, payroll and insurance benefits on behalf of third parties, as well as remittance encashments for customers of its local remittance partner, Palawan Pawnshop.

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

The following diagram illustrates the operating ownership structure of the Company as of the date of this Report:

Below is the list of the subsidiaries of LBC Express, Inc.:

	Country of incorporation	Principal activities	Ownership Interest 2017	2016
LBC Express, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance	**100%**	100%
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Systems, Inc.	Philippines	Logistics and money remittance	**100%**	100%
LBC Express Bahrain, LLC	Bahrain	Logistics	**49%**	49%
LBC Express WLL	Kuwait	Logistics	**49%**	49%
LBC Express LLC (1)	Qatar	Logistics	**49%**	49%

Note:
1) This entity is a subsidiary of LBC Express WLL which has 49% ownership interest.

Except for South Mindanao Courier Co, Inc., the principal offices of the 18 other subsidiaries named above are located in the General Aviation Center, Domestic Road, Pasay City. The principal office of South Mindanao Courier Co., Inc. is located in Door No. 7, Yabon Building, Darimco Silawy, Dadiangas West, General Santos City.

The following entities were approved or acquired after the fiscal year ended December 31, 2017 but before the filing of this report:

Entities	Country of Incorporation	Principal Activities
LBC Mabuhay Saipan, Inc.	Saipan	Logistics and money remittance
LBC Mabuhay Hawaii Corporation	USA	Logistics and money remittance
LBC Mundial Corporation	USA	Logistics and money remittance
LBC Mabuhay North America Corporation	USA	Logistics and money remittance
Orient Freight International, Inc.	Philippines	Logistics
QuadX, Inc.	Philippines	Logistics
QuadX Pte. Ltd.	Singapore	Logistics

BUSINESS

SERVICES

The Company's business comprises two primary segments: (a) logistics; and (b) money transfer services.

The table below presents the components of the Company's revenue associated with its business segments for the years indicated.

	For the years ended December 31,		
	2017	**2016**	**2015**
		(₱ in millions)	
Logistics			
Retail	5,751.7	4,964.0	4,091.3
Corporate	3,229.5	2,557.9	2,199.0
	8,981.2	7,521.9	6,290.3
Money Transfer Services			
Domestic[1]	907.1	1,058.4	1,186.9
International Inbound[2]	131.8	115.1	209.3
	1,038.9	1,173.5	1,396.2
Total Service Revenue	**10,020.1**	**8,695.4**	**7,686.5**

Notes:
(1) Comprises fee income from domestic remittances and bills payment collection services.
(2) Comprises fee income from international inbound remittances.

As of December 31, 2017, the logistics business of the Company account for approximately 89.6% of its total revenues while money transfer services account for the remaining 10.4%.

Logistics

The logistics business is the Company's primary source of revenue. The Company serves two primary customer segments within the logistics business: (a) retail customers; and (b) corporate customers. The main services offered to retail customers include courier, air cargo forwarding and balikbayan boxes services. The main services offered to corporate clients include, in addition to courier and freight forwarding services, specialized corporate solutions, or corporate logistics services tailored to the specific needs of the client.

As of December 31, 2017, the Company has offered Logistics services at 1,321 Company-owned branches in the Philippines and 71 Company- and affiliate-owned branches in 22 other countries and territories worldwide.

Retail Logistics

Retail Logistics comprised 64%, 66% and 65%, respectively, of the Company's service revenue from Logistics for the years ended December 31, 2017, 2016 and 2015. The Company's primary retail logistics offerings are its "Express" products (comprising courier and air cargo forwarding) and balikbayan boxes.

Courier

Courier services are the Company's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-

sensitive basis. The Company generally makes domestic courier deliveries within 24 hours of acceptance and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. The Company is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and the Company imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service.

Air Cargo

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

Balikbayan Boxes

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

Corporate Logistics

The Company provides services to a varied portfolio of corporate clients, which include consumer goods manufacturers, food products producers, pharmaceutical companies, educational institutions, financial services companies and others, including several well-known multinational corporations. In addition to fulfilling the express delivery needs of corporate clients through courier and air cargo forwarding services, the Company also provides the following services:

*Specialized Corporate Solutions (**SCS**)*

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

As part of SCS, the Company provides transportation of mail, parcels and cargo via air, land and sea. The Company offers sea freight forwarding services domestically for both full container load (**FCL**) and less-than-container load (**LCL**) shipments. LCL services are particularly attractive for small and medium-sized businesses with relatively lower volume shipping requirements. Corporate clients have the option of dropping off their shipments at the Company's container freight stations located near local ports or requesting a pick-up from the Company. The Company also offers flexible payments modes, including payment at origin, payment at destination, payment on account of shipper, and payment on account of consignee. Shipping times for sea freight are more protracted than for air freight, ranging from three to seven days for domestic shipments and seven to 35 days for international

shipments. In recent years, the volume of sea freight forwarding services provided by the Company has increased due to the growth in its corporate client portfolio.

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

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

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

In recent years, the Company has increased its focus on the corporate logistics business and aims to continue expanding its corporate client portfolio and service offerings going forward.

Money Transfer Services

Money transfer services are the Company's second primary business segment and comprise both domestic and international money transfer services. For the years ended December 31, 2017, 2016 and 2015, revenues from Money Transfer Services were ₱1,038.9 million, ₱1,173.5 million and ₱1,396.2 million, representing 10%, 13% and 18% respectively, of the Company's overall service revenue.

Domestic

Domestic money transfer services include (a) remittances and (b) bills payment collection and corporate remittance payout services. For the years ended December 31, 2017, 2016 and 2015, service fees from domestic Money Transfer Services were ₱907.1 million, ₱1,058.4 million and ₱1,186.9 million, representing 87%, 90% and 85%, respectively, of the Company's total service revenues from Money Transfer Services.

Remittances

Remittances are transfers of funds between customers from one location to another. The Company is licensed by the Bangko Sentral ng Pilipinas (**BSP**) to serve as a remittance agent in the Philippines for both domestic remittances (wherein both the sender and the beneficiary are located within the Philippines) and international inbound remittances (wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines). Retail customers in the Philippines, particularly the unbanked population and others who are underserved by traditional banking

institutions, account for the majority of the Company's domestic remittance customers. The Company offers domestic remittance services in the form of (a) branch retail remittance services; (b) pre-paid remittance cards; and (c) online and mobile remit.

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

  - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);
  - *Pesopak*, a service by which remittances are delivered directly to the beneficiary's doorstep, providing an attractive option for situations in which beneficiaries cannot or do not want to visit a branch; the Company offers next day delivery for Pesopak in almost all areas in the Philippines; and
  - *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

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

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

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

Bills Payment Collection and Corporate Remittance Payouts

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

The Company also provides payout services for various corporations and organizations. For example, beneficiaries of the Philippine Social Security System, as well as private insurance carriers with whom

the Company has contracted, can collect their benefits at a Company-owned branch. Likewise, the Company provides payroll services for certain companies, whereby employees can collect salary checks at a branch office. As part of its reciprocal agreement with Palawan Pawnshop, the Company also provides encashment services for beneficiaries of senders who make a remittance at a Palawan Pawnshop branch.

International

The Company provides fulfillment services for international inbound remittances from over 14 countries and territories overseas to the Philippines through its overseas branches and affiliates and its network of international remittance agents.

To expand its international reach, LBC Express, Inc. has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, the Company provided fulfillment services for inbound remittances, although the it transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

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

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

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

The significant majority of remittances made by customers of the Company are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

As of the end of December 2017, the Company does not process outbound remittances from the Philippines. For the years ended December 31, 2017, 2016 and 2015, service fees from international inbound remittances were ₱131.8 million, ₱115.1 and ₱209.3 million, accounting for 13%, 10% and 15%, respectively, of the Company's total service revenues from Money Transfer Services.

OPERATIONS

Logistics

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

Air Freight Forwarding

Domestic

The Company's end-to-end domestic air freight forwarding services involve the following steps: (1) acceptance (by pick-up or drop-off at a branch) (2) ground transport to a regional distribution center, (3) primary sorting, (4) loading to aircrafts (for air transport), (5) withdrawal by the receiving distribution center, (6) secondary sorting (if required) and (7) ground transport for delivery to final destination.

- Acceptance is the receipt by the Company of the customer's parcels and cargo, either through its pick-up service or at one of the Company's 1,321 customer contact points in the Philippines where customers can drop off parcels and cargo. All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's name, shipping address, description of contents, estimated value and other pertinent information. Upon receipt of the customer's parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package, beginning the tracking process. The parcel or package is rescanned at every subsequent touch point throughout the transport process until its final destination.

- At the close of business each day (approximately 7:00 p.m.), all packages are delivered by the Company's vehicle fleet to a regional distribution center. The primary distribution center is the Central Exchange, located at the Company's corporate headquarters in the General Aviation Center of the old domestic airport in Manila, where all packages collected from, passing through or destined for Metro Manila are aggregated. Packages collected in other areas are aggregated at one of 12 regional distribution centers located near airports throughout the country. Upon receipt, the exchange team scans in all packages and prints a manifest (i.e. an itemized inventory) listing all of the barcodes. The manifest is used to check the number of shipments scanned in against the number of shipments that are later scanned out.

- Throughout the night, the exchange team engages in primary sorting at the distribution centers and labels parcels and cargo bound for different destinations regionally in the Philippines to prepare them for onward transmission by air or land. All packages to be transported by air are scanned by X-ray machines for detection of illegal and contraband goods. In the Central Exchange, the Company houses its own X-ray machines which are located inside the Company's hangar and operated by independent airline employees. This bypasses the need to

transport the cargo to the airline carriers' facilities for scanning, increasing the efficiency of the Company's sorting process.

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

- When the planes arrive at the destination airport, a team of employees withdraws shipments and again scans the barcodes and sorts the items, segregating parcels and cargo destined for different zones. The items may also be sorted at the Company's regional hubs (secondary distribution centers) for more efficient distribution to smaller cities and municipalities.

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

International

The Company's international air freight forwarding and courier services involve a similar process as its domestic air freight forwarding and courier services, namely (1) acceptance (by pick-up or drop-off at an international LBC Express, Inc.-owned, or affiliate-owned branch or agent-operated location), (2) ground transport to a regional distribution center, (3) primary sorting, (4) loading to international aircraft, (5) withdrawal of cargo by Philippine associates at the Central Exchange in Manila, (6) secondary sorting, (7) further forwarding by air to regional destinations (if necessary) and (8) ground transport, via Company-owned and third party trucks, for delivery to final destination. In the case of shipments originating from overseas, LBC Express, Inc.'s overseas branch, affiliate or agent, as applicable, is responsible for all of the steps from acceptance of the parcel/cargo through loading of the parcel/cargo onto the Philippine-bound airline carrier.

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

International shipments utilize the same, integrated barcoding and scanning system as domestic shipments, enabling a seamless exchange between the Company's domestic team and its overseas teams.

Ground Delivery Fleet

Ground transport forms a key component of nearly all forms of delivery and forwarding services offered by the Company. Motorcycles and trucks are used for door-to-door pickup and delivery of parcels, cargo and money remittances, as well as ground transport of items destined for onward forwarding by air or sea. The vehicle fleet is also an integral part of the Company's contingency planning in the event that air and/or sea transport become unavailable. The Company also from time to time engages third party trucking and transportation companies.

For items that are transported entirely by ground, parcels and packages undergo (1) acceptance (by pick-up or drop off at a branch), (2) ground transport to the regional distribution center, (3) primary sorting, (4) ground transport to a delivery hub for secondary sorting (if required) and (5) ground transport to the final destination.

As of December 31, 2017, the Company had a fleet of 1,417 vehicles (including 825 motorcycles and 592 vans), of which 305 were leased. The Company's drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a

lease-to-own basis pursuant to finance leases with a typical term of three to five years to ownership. The Company's vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every five to seven years. The Company began refleeting of most of its delivery trucks in 2014 and motorcycles in latter part of 2017. Comprehensive insurance is maintained for all of the vehicles.

Sea Cargo Forwarding

As of the end of December 2017, the Company's sea cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 22 countries and territories outside the Philippines.

The Company does not own ships and contracts with third party shipping carriers for these services. Domestic sea transport is provided by Oceanic Container Lines, Inc., 2Go Freight, Lorenzo Shipping Lines, Gothong Southern and Asian Marine Transport Corporation, among others, while international sea transport is provided through Orient Freight International (an international freight forwarding agency which is acquired by LBCEH in 2018). The Company also entered into a partnership agreement with OHL effective August 1, 2013 to engage in international freight forwarding as an NVOCC. This allows the Company to contract directly with international shipping carriers rather than rely on another international freight forwarder. The Company's sea cargo forwarding services are separated into retail operations and corporate operations.

Retail

Retail sea cargo comprises balikbayan boxes, which are primarily international inbound shipments and intra-Philippine shipments.

The basic forwarding process for Balikbayan Boxes is as follows:

- Acceptance of Balikbayan Boxes is handled by the Company (in the case of domestic shipments) or the LBC Express, Inc.'s overseas branch, or affiliate (in the case of inbound international shipments). Balikbayan Boxes are typically picked up by delivery trucks, as they tend to be larger in terms of weight and volume.

- Upon acceptance, all cargo is input into the Company's INCA acceptance system by a delivery team, which produces a delivery dispatch report and cross checks each shipment for discrepancies when units are consigned to the international freight forwarder.

- Balikbayan Boxes are sorted and placed into containers at the local warehouse or distribution center of the LBC Express, Inc.'s branch or affiliate/agent. Once a container is full, the Company can arrange for pick-up from the international freight forwarder or local shipping partner, as applicable. Because the throughput of goods shipped by the Company is substantial, containers are usually filled within one to two days.

- The Company's international freight forwarder (in the case of inbound international shipments) or the Company's local shipping partners (in the case of domestic shipments) will then collect the cargo from the warehouse or distribution center and load the items onto a ship.

- International inbound Balikbayan Boxes are in transit for three to four days (for shipments within Asia) or 30 to 35 days (for shipments from Europe or North America) prior to arriving in Manila. All such Balikbayan Boxes are received by the international freight forwarder at the Port of Manila and consigned to the Company at the Vitas Harbor Center Warehouse. Intra-Philippine shipments, which generally take between two and five days to arrive at their

destination, are received at regional warehouses and distribution centers. For international inbound shipments, the Company's customs brokers facilitate procedures necessary to be undertaken with the Philippine Bureau of Customs, while its international freight forwarder arranges for customs brokerage in the international jurisdictions.

- At Vitas Harbor Center Warehouse or regional warehouses and distribution centers, boxes are again scanned, inspected for any damage and sorted for further forwarding to their final destination by ground transport or re-directed to a domestic shipping company for further sea transport if necessary. International outbound Balikbayan Boxes are received by LBC Express, Inc.'s overseas branches and affiliates and sorted for final delivery. Balikbayan Boxes are randomly scanned in the United States and in the Philippines via X-ray machines to prevent entry of illegal goods and money laundering.

Corporate

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

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

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

Specialized Corporate Solutions

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

Money Transfer Services

Remittances

Infrastructure

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

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

Domestic Partners

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

The Company believes that its strategic partnership with Palawan Pawnshop has enabled it to greatly expand its geographical reach in the Philippines, particularly in areas where it has fewer Company-owned branches, at minimal expense. As of end of December 2017, Palawan Pawnshop is the Company's only domestic fulfillment agent, although the Company evaluates opportunities for other strategic partnerships as they arise from time to time.

The Company also has relationships with local financial institutions, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines, which issue pre-paid remittance debit cards offered to the Company's customers. With these cards, customers can load the cards at any LBC branch and beneficiaries can withdraw cash from the remittance cards at any of the partner banks' ATMs and branch offices. These cards, which are powered by VISA, are also available for use at any location where VISA cards are accepted.

The basic process for domestic remittances is as follows:

- Branch Retail services enable customers who make remittances at any Company-owned branch in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility that would process the request. Encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.
    - *Peso pak*, a service by which remittances are delivered directly to the beneficiary's doorstep.
    - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's

domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);
  - *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

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

International Remittance Agents

To expand its international reach, LBC Express, Inc. has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Philrem in the United Kingdom; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, the Company provides fulfillment services for inbound remittances originating from 14 other countries and territories, although the Company transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

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

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

Bills Payment Collection and Corporate Remittance Payouts

The majority of the Company's bills payment collection services are governed by an agreement with Bayad dated January 21, 2013, under which the Company subcontracts with Bayad to perform third-party bills collection services for a group of vendors, including utility companies, telecommunications companies and others, with whom Bayad has contracted. The term of the agreement is three years with

a renewal option thereafter by mutual consent of the parties. The Company collects a service fee from Bayad each month based on the total number of valid transactions it has processed that month. At the close of each business day, a payment transaction report is generated for each vendor and transmitted to Bayad. The Company must then deposit the day's collections into a designated bank account of Bayad by the following day.

The Company also contracts directly with certain organizations, such as the Philippine Social Security System, private insurance companies and certain employers, to serve as a corporate payout agent.

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

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

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

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

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

MARKETING AND SALES

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

Brand Equity

The Company considers the "LBC" brand, which has been cultivated over the Company's over 60-year operating history, to be an integral component of its operational success. The Company believes that the brand, the distinctive red and white "LBC" logo and the Company's key marketing slogans (formerly, "Hari ng Padala," and currently, "We like to move it") have become associated with its reputation for being a convenient, affordable and reliable provider of its services. As part of its marketing strategy, the Company outfits its delivery fleet, branch offices, advertisements and other

marketing materials with the "LBC" logo and believes that its brand equity is one asset that puts it ahead of its competitors in gaining market share in a fierce competitive environment.

The "LBC" brand was one of Reader's Digest's Trusted Brand Winners - Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, the Company was considered one of the Best-in-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012, the Company achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. Other prestigious awards bestowed upon the company include: Readers Digest Trusted Brand Platinum Award Airfreight and Courier Category 2017, Readers Digest Trusted Brand Gold Award Remittance Category 2017, The Filipino Times Preferred Freight Forwarding Company in the Middle East 2015-2016, The Filipino Times Preferred Remittance Service Provider in the Middle East 2015-2016, TFC Champion of the Filipino Consumer Award 2015, Silver Anvil Award for LBC "Moving Spaces" Public Relations Category 2015, Silver Anvil Award for LBC "#moveitformanny" Public Relations Tools Category 2015, Araw Values Bronze Award for #moveitformanny, branded communications category 2014.

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

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

Corporate Sales Force

The Company's corporate sales are conducted through its dedicated sales and marketing teams which, as of December 31, 2017, comprised 11 field account managers in charge of client relationship management. To better manage its corporate accounts, the Company has also invested in sales order management software designed by SAP that helps the Company maintain records on the processing of sales orders, accounts, inquiries, quotations, contracts, billing, returns processing, consignment, sales planning, sales reporting and customer analytics. In addition to automating several aspects of sales record keeping, this program is also expected to help the sales force gain marketing and business intelligence as well as improve customer retention.

Advertising

The Company regularly advertises over media channels such as TV, radio and print. The Company also sponsors community events such as the Ronda Pilipinas, the largest Philippine cycling race, and sporting events.

INFORMATION TECHNOLOGY

Operational

The Company has invested in technology in recent years. The Company is currently in the process of implementing an updated proprietary IT system that will integrate several components of its existing operational IT systems. The integrated system, VISTRA, will combine the POS system that the Company currently uses to manage its front-end acceptances for courier and cargo shipments. It would integrate seamlessly to its track and trace scanning system to allow for more efficient tracking of transactions, improve inventory control, and centralize customer management. In addition, the Company has outfitted each of its couriers with handheld scanners, which will increase efficiency and minimize human error in documenting daily pick-ups and deliveries. These handhelds will also utilize GPS technology to improve its delivery performance. The Company has also implemented a put-to-light sorting technology for its non-bulk mail, which will help automate some aspects of the parcel sorting process. The Company has also signed up with Interblocks to update its remittance platform by creating an e-wallet for its customers allowing access via any browser or mobile device.

The Company has also upgraded its current network infrastructure to allow for a more secure and reliable environment. This has enabled the Company to improve its network availability significantly.

Business Management

The Company uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Company has utilized SAP's Financial Accounting and Controlling (SAP FICO), Sales and Distribution (SAP SD) and Materials Management (SAP MM) modules. RAMCO systems for Human Resources Systems was implemented in second quarter of 2017. It has recently signed another deal with RAMCO for a logistic system which will be implemented in the fourth quarter of 2018.

The Company has also embarked on its own digital transformation. The Company has utilized Data Analytics for both predictive and operational purposes. It has also utilized its GPS data to create a database for last meter deliveries. It has also allowed itself to do paperless transactions through its handheld devices. The Company is also maximizing the use of Power BI (Business Intelligence) for its operational and financial reports allowing it to be able to make well informed decisions based on real time data.

Online and Mobile Platform

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

STATUS OF ANY PUBLICLY-ANNOUNCED NEW PRODUCT OR SERVICE

There are no new products or services announced to the public that were not yet launched as of December 31, 2017.

COMPETITION

Logistics

The Company believes that it is a leader in the retail logistics industry. In 2017, the Company was the leader in air freight forwarding in the Philippines, with 33.9% of domestic market share based on throughput by weight, according to the Civil Aeronautics Board. The Company believes that it has been the top importer of balikbayan boxes in terms of throughput for the past 20 years. Although the Company has a leading position and significant market share in the courier and air freight forwarding industry, the Company faces competition from AP Cargo Logistics Network Corporation, JRS Business Corporation, Airfreight 2100, Inc., Cargo Padala Express Forwarding Service Corporation, Libcap Super Express Corporation and 2Go Express, Inc. The Company's international competitors include DHL, FedEx and UPS. However, international freight forwarders have historically not been strong competitors of the Company in the Philippines due to certain restrictions on foreign ownership in the cargo industry in the Philippines, as well as the high barriers to entry created by the dispersed geography of the archipelagic nation.

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

Money Transfer Services

According to Ken Research, the Company is one of the top five non-bank providers of domestic remittance services by remittance volume as well as one of the top five non-bank providers of international inbound remittances in the Philippines by remittance volume in calendar year 2012. The Company competes against Philippine banks and various non-banks, such as pawnshops, for its international and domestic remittance services. Philippine banks, such as BDO Unibank, Inc., Bank of the Philippine Islands, Philippine National Bank, Metrobank and RCBC, account for the significant majority of market share in terms of volume for both domestic and international remittances. However, because the Company targets the unbanked population in the Philippines (which account for the majority of Filipinos), the Company believes its domestic remittance business has significant room for additional growth. The Company's main non-bank competitors in the remittance industry include M. Lhuillier, Cebuana Lhuillier, iRemit and Western Union. The Company believes that high barriers to entry, including regulatory licenses and a distribution network, make it unlikely that there will be additional material competitors in the future. For the bills payment segment, the Company's largest competitors are bills payment outlets owned and operated by the SM group of companies at its various malls, as well as various banks.

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Company is committed to providing high quality service for customers in all areas of its business. To this end, it has in place standards and procedures to ensure a quality, reliable and seamless customer experience. The Company has in place the following procedures to monitor the quality of its services

on a regular basis, as well as plan for contingencies that may otherwise cause an interruption in its business.

Discrepancy Reporting and Undeliverable Items

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

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

Cash Collection and Management

The Company has implemented strict and comprehensive cash collection and management policies and procedures to minimize operational errors and promote customer trust. For example, every Company branch office is required to set up "cash sanctuaries" to minimize financial loss in the event of a robbery. In addition, the Company also sets strict limits on the amount of cash each branch is permitted to hold before the branch is required to make cash deposits at a bank, as well as value limits on cash deliveries of Pesopak.

Compliance with the Company's cash collection and management policies and procedures is monitored through random audits conducted by the Company's general accounting staff. Each branch has a team leader who is responsible for appointing two cash custodians, one primary cash custodian and one back-up cash custodian, maintaining a team resolution (which is signed by all branch associates and delineates the type of funds kept by the cash custodians) and producing readily-available documents showing proper cash turn-over among associates. The primary cash custodian is required to properly account for cash under safekeeping on a daily basis and ensure that there is no mingling of Company funds with customer funds. Every branch associate is required to undertake precautions to safeguard the cash within his or her branch office.

Business Continuity

The success of the Company's business is particularly dependent on the efficient and uninterrupted flow of its operations.

To safeguard against unanticipated interruptions in its business, the Company has instated the following business continuity plans and procedures:

- *Information Technology*. With respect to technology, the Company has back-up servers managed by its IT service provider with built-in redundancies for its various systems in which operational and customer data is stored. In the event of system downtimes, the Company has in place a back-up system whereby communication is maintained through mobile text messaging.

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

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

SUPPLIERS

The Company has a broad base of suppliers. The Company is not dependent on one or a limited number of suppliers.

CUSTOMERS

The Company has a broad market base, including local and foreign individual and institutional clients. The Company does not have a customer that will account for 20% or more of its revenues.

TRANSACTIONS WITH RELATED PARTIES

Please refer to item 12 ("Certain Relationships and Related Transactions") of this Report.

INTELLECTUAL PROPERTY

The Company uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We like to move it"), the "Team LBC Hari Ng Padala" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo (registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and Pesopak logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013.

Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

The LBC Marks have also been registered in each major jurisdiction in the Company's international network. LBC Development Corporation is currently in the process of registering the LBC Marks in the International Register pursuant to the Protocol Relating to the Madrid Agreement (the "Protocol"), which will grant the LBC Marks intellectual property protection in the jurisdictions of all Contracting Parties (as such term is defined in the Protocol). LBC Development Corporation is also currently in the process of registering the LBC Marks in jurisdictions within the Company's international network not covered by the Protocol.

On August 4, 2017, the trade licensing agreement was amended and both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

GOVERNMENT PERMITS AND LICENSES

The Company secures various approvals, permits and licenses from the appropriate government agencies or authorities as part of the normal course of its business.

EMPLOYEES

As of December 31, 2017, the Company had, on a consolidated basis, 6,921 full-time employees, compared to 6,539 full-time employees as of December 31, 2016. The Company continues to add to its workforce on a regular basis in line with the growth of its business.

Under the Company's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Company in the Philippines are primarily trained in-house.

The Company maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines.

The following table sets out the number of employees of LBC Express, Inc. by job function as of December 31, 2017:

	Number of Employees
Management and Administrative Associates	170
Central Exchange and Regional Distribution Center Associates	249
Branch Associates	3,589
Drivers and Couriers	1,523
Other	1,390
Total	**6,921**

Note:

(1) Figures presented do not include probational employees (i.e. individuals who had been employed by the Company for less than six-months as of the period indicated).

As of the end of December 2017, four Company subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 805 employee memberships. Approximately 400 of these employees in the Philippines belong to one of the six labor unions (for four subsidiaries) and the remaining approximately 131 employees belong to one of the other five labor unions. The Company believes that there is sufficient coverage by its other, non-unionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be

considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that the Company's relationship with its employees in general is satisfactory.

The Company complies with minimum compensation and benefits standards as well as all other applicable labor and employment regulations in all of the jurisdictions in which it operates. The Company has in place internal control systems and risk management procedures, primarily overseen by its Corporate Compliance Group, Labor Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

In addition to full-time employees, the Company relies on contractors for the peak seasons, such as during the Easter and Christmas seasons, to satisfy increased demand for services.

RISKS

The Company is subject to certain operational, regulatory and financial risks as follows:

- A significant portion of the Company's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.
- The Company's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.
- The Company may not be able to expand its domestic branch network and its product offerings and expand into new geographical markets or develop its existing international operations successfully, which could limit the Company's ability to grow and increase its profitability.
- If consumer confidence in the Company and the "LBC" brand deteriorates, the Company's business, financial condition and results of operations could be adversely affected.
- The Company relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Company's business.
- The Company faces risks from increases in freight and transportation costs.
- The Company operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.
- Any deterioration in the Company's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Company's operations.
- The Company does not own any real property and the Company may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.
- The Company may encounter difficulties in managing the operations of its agents and affiliates effectively.
- The Company's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Company's operations and profitability.
- The Company is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Company, its agents and affiliates to comply with these laws and regulations and increased

costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

- The Company faces risks from trade restrictions.
- Any inability of the Company to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.
- Risks associated with the Company's money transfer operations outside the Philippines could adversely affect the Company's business, financial condition and results of operations.

Item 2. PROPERTIES

REAL PROPERTY

As of the end of December 2017, the Company does not own any real property.

The Company's registered office is located at the LBC Hangar at the General Aviation Center in the Old Domestic Airport, Pasay City pursuant to a lease with the Manila International Airport Authority. The LBC Hangar houses the Central Exchange, as well as the Company's Information Technology Team and Global Remittance Team. The aggregate floor space of the LBC Hangar is approximately 2,160 sq. m.

In addition, the Company leases the spaces for all of its 1,321 Company-owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is three to seven years, with renewal options under most of the lease agreements. Branch offices are refurbished approximately every five to seven years, and the Company considers strategic relocation of branch offices from time to time to meet changing market demands.

For its general and administrative activities, the Company leases 2,600 sq. m. of office space in the Star Cruises Centre in Pasay City, Manila, located near its registered office at the LBC Hangar.

For the years ended December 31, 2017, 2016 and 2015, the Company's total rental expense were ₱831.6 million, ₱711.0 million and ₱659.2 million, respectively.

EQUIPMENT

Other property and equipment owned by the Company in the Philippines primarily comprises its fleet of 1,226 delivery vehicles (excluding those acquired through operating lease), servers, computers and peripheral equipment, software, vaults, handheld scanners, X-ray scanners and its bulk mail sorting machine.

Item 3. LEGAL PROCEEDINGS

Due to the nature of the Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. Such litigation involves, among others, claims against the Company for non-delivery, loss or theft of packages and documents, mis-release of remittances, labor disputes, as well as cases filed by the Company against employees and others for theft and similar offenses.

Except as disclosed below, neither the Company nor any of its subsidiaries have been or are involved in, or the subject of, any governmental, legal or arbitration proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

On 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, 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 November 2, 2015, the Bank, represented by the PDIC, filed a case against LBC Express, Inc. (LBCE) and LBC Development Corporation (LBCDC), together with other respondents, before the Makati City Regional Trial Court (RTC) for a total collection of ₱1.82 billion. 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. In the Complaint, the PDIC justified the increase in the amount from the demand letter to the amount claimed in the case due to their discovery that the supposed payments of LBCE were allegedly unsupported by actual cash inflow to the Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBCE. The writ of preliminary attachment resulted to the (a) attachment of the 1,205,974,632 shares of LBC Express Holdings, Inc. owned by LBCDC and (b) attachment of various bank accounts of LBCE totalling ₱6.90 million. The attachment of the shares in the record of the stock transfer agent had the effect of preventing the registration or recording of any transfers of shares in the records, until the writ of attachment is discharged.

LBCE and LBCDC, the ultimate Parent Company, together with other defendants, filed motions to dismiss the Complaint on January 12, 2016 for the collection of the sum of ₱1.82 billion. On January 21, 2016, LBCE and LBCDC filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the RTC issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directed the sheriff of the court to deliver to LBCE and LBCDC all properties previously garnished pursuant to the writ. The counterbond delivered by LBCE and LBCDC stands as security for all properties previously attached and to satisfy any final judgment in the case.

In a Joint Resolution dated June 28, 2016, the RTC denied the motions to dismiss filed by all the defendants, including LBCE and LBCDC. Motions for reconsideration filed by the defendants were subsequently denied by the RTC in the Resolution dated February 16, 2017.

After filing motions for extension of time, LBCE and LBCDC filed their Answer with Counterclaims on April 10, 2017. In the Resolution dated June 15, 2017, the RTC denied the third motion for

extension, declared all of the defendants including LBCE in default and ordered PDIC to present evidence ex-parte. LBCE and LBCDC filed a Verified Omnibus Motion for reconsideration and to lift the order of default. The other defendants filed similar motions, including a motion for inhibition. On July 21, 2017, LBCE received the Joint Resolution dated July 20, 2017, granting the Verified Omnibus Motions and the Motion for Inhibition, thereby lifting the order of default and admitting the Answers filed by all defendants.

The PDIC filed a Motion for Reconsideration dated August 7, 2017, seeking to reconsider the Joint Resolution dated July 20, 2017. The defendants, including LBCE and LBCDC have filed their respective comments thereto and the motion is currently pending resolution.

From August 10, 2017 to January 19, 2018, LBCE, LBCDC, the other defendants and PDIC were referred to mediation and Judicial Dispute Resolution (JDR) but were unable to reach a compromise agreement. The RTC ordered the mediation and JDR terminated and the case raffled to a new judge who will preside over the trial. To date, the parties are still awaiting the case to be raffled to another branch of the Makati RTC.

On April 24, 2017, LBCE and LBCDC filed a Petition for Certiorari with the Court of Appeals, challenging the RTC's June 28, 2016 Joint Resolution. The PDIC, LBCE, and LBCDC have filed their respective Comment, Reply, and Memoranda. The Petition for Certiorari was deemed submitted for resolution as of October 26, 2017 and is still pending. 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.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of the stockholders of LBCEH held on August 29, 2017, there was no other matter submitted to a vote of security holders during the period covered by this Report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET INFORMATION

LBCEH common shares are listed with the PSE. As of the end of December 2017, the total number of shares held by the public was 219,686,131 common shares or 15.41% of the total issued and outstanding capital stock of the LBCEH.

The following table sets forth the share prices of LBCEH's common shares for each quarter of the years 2017, 2016 and 2015:

Quarter	High (₱)	Low (₱)
2017		
4TH	17.00	14.80
3RD	16.18	15.00
2ND	17.94	14.20
1ST	15.88	14.00
2016		
4TH	16.00	11.50
3RD	14.88	10.50
2ND	15.00	10.14
1ST	12.20	6.20
2015		
4TH	14.50	11.50
3RD	16.98	11.32
2ND	24.80	11.32
1ST	27.55	15.02

The stock price of each common share of LBCEH as of the close of the latest practicable trading date, April 4, 2018, is ₱14.80.

STOCKHOLDERS

As of end of December 2017, LBCEH has 486 registered holders of common shares. The following are the top 20 registered holders of the common shares:

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
1	LBC Development Corporatio	Filipino	1,205,974,632	84.58%
2	Lim, Vittorio Paulo P.	Filipino	59,663,948	4.18%
3	Martinez Jr., Mariano D.	Filipino	59,663,946	4.18%
4	Yu, Lowell L.	Filipino	59,663,946	4.18%
5	Pcd Nominee Corporation	Filipino	37,233,295	1.24%
6	Pcd Nominee Corporation	Filipino	3,120,602	0.34%
7	Ko Mei Nga	Filipino	10,000	0.34%
8	Tia, Tommy Kin Hing	Filipino	10,000	0.18%
9	Santos, Ferdinand S.	Filipino	10,000	0.12%
10	Lantin, Andy	Filipino	5,000	0.09%
11	Leong, Jennifer H.	Filipino	3,000	0.06%

	Name of Stockholder	Nationality	Number Of Shares Held	Percentage
12	Cabual, Alfonso B.	Filipino	3,000	0.03%
13	Virtudes, Marites M.	Filipino	2,000	0.02%
14	Balo, Jimmy P.	Filipino	2,000	0.01%
15	Batalla, Wilfredo P.	Filipino	2,000	0.01%
16	Simbajon, Gliceria	Filipino	2,000	0.01%
17	Garcia, Janet G.	Filipino	2,000	0.01%
18	Solis, Edward A.	Filipino	2,000	0.01%
19	Villanueva, Erwin L.	Filipino	2,000	0.01%
20	Nombre, Ramil C.	Filipino	2,000	0.01%

DIVIDENDS

Dividend Policy

The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the board of directors of the Company, in the form of stock and/or cash dividends, subject always to:

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

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

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

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

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

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

Dividend History

On April 19, 2017, the BOD of LBCEH approved the declaration of cash dividends amounting to P,=827.00 million from unappropriated retained earnings as of March 31, 2017 amounting to P,=849.83 million.

On October 11, 2016, the BOD of LBCEH approved the declaration of cash dividends amounting to P,=313.69 million (nil in 2015).

The dividends attributable to LBCDC was settled through application against due from LBCDC.

RECENT SALE OF SECURITIES

Please refer to the discussion under "Corporate Reorganization" of item 1 ("Business") of this Report for a summary of recent issuances of shares by the Company.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

KEY PERFORMANCE INDICATORS

Financial Ratios:

		2017	2016
Current ratio	Current Assets/Current Liabilities	2.51	1.67
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.98	1.74
Debt to total assets ratio	Total Liabilities/Total Assets	0.75	0.63
Return on average assets	Net income attributable to Parent Company/ Average assets	8.71%	14.52%
Book value per share	Stockholders' Equity/ Total Number Shares	₱1.66	₱1.73
Basic and Diluted Earnings/(Loss) per share	Net Income/(Loss)/ Total Number Shares	₱0.49	₱0.65

RESULTS OF OPERATIONS

Year ended December 31, 2017 compared to the year ended December 31, 2016

Service Revenues

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

Logistics

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

Cost of Services

Cost of services increased by 18% to ₱6,606.0 million for the year ended December 31, 2017 from ₱5,590.5 million for the year ended December 31, 2016 relative to growth

in volume in logistic services. Moreover, truck rental rates are higher primarily due to increase in fuel prices in 2017.

Gross Profit

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

Operating Expenses

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

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

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

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

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

Other Income, Net

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

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

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

Income before Income Tax

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

Income Tax Expense

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

Net Income for the Year

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

FINANCIAL CONDITION

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

Assets

Current Assets

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

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

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

Available-for-sale investments (current and noncurrent) is higher by 24.8% to ₱885.5 million as at December 31, 2017 from ₱709.3 million as at December 31, 2016 which resulted from net placement UITF account during the year. LBCEH opened a dollar account and placed $4.0 million in December 2017. This is offset by loss resulting from lower market value of quoted shares.

Prepayments and other current assets increased by 15% to ₱446.1 million as at December 31, 2017 from ₱388.1 million as at December 31, 2016 mainly because of higher advance rental by P21.8 million resulting from additional Philippines branches (2017: 1,321 vs 2016: 1,249). Input VAT also increased by P23.9 million. These increases are offset by decrease in marketable securities by P11.0 million. This is classified as "other current assets" since the maturity is more than three months.

Non-current Assets

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

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

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

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

Other noncurrent assets, increased by 31% to ₱92.2 million as at December 31, 2017, from ₱70.2 million as of December 31, 2016, which resulted from the increase in noncurrent portion of input tax on capital assets amounting to ₱5.6 million, higher prepaid rental amounting to ₱7.4 million advance payment for the development of Interblock software amounting to ₱9.0 million.

Liabilities

Accounts and other payables increased by 24% to ₱1,603.1 million as at December 31, 2017, from ₱1,295.1 million as at December 31, 2016. Trade payable from outside parties is higher by 34% mostly from increase in customer deposits and cash bonds. Accrued contracted jobs doubled as at year-end due to increase in headcount to cover the volume transacted during peak season. In addition, payable related to taxes is higher by 63% which comprise of VAT payable, expanded withholding taxes and withholding taxes on compensation.

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

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

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

Finance lease liabilities (current and noncurrent) decreased by 5% to ₱117.7 million as atDecember 31, 2017, from ₱124.1 million as of December 31, 2016, due to lease settlements in 2017 amounting to ₱45.9 million and offset by additional liability for service vehicles acquired through finance lease during the year amounting to ₱39.6 million.

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

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

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

LIQUIDITY

Cash Flows

Years ended December 31, 2017 and December 31, 2016

Cash flow from operating activities

The Company's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest expense, loss on derivatives and changes in working capital. The Company's net cash from operating activities were ₱1,399.3 million, and ₱808.9 million for the year ended December 31, 2017 and 2016, respectively.

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

Cash flows from investing activities

Cash flow used investing activities for the years ended December 31, 2017 and 2016 were ₱847.6 million and ₱611.3 million, respectively.

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

Cash flow from financing activities

Cash flow from financing activities for the years ended December 31, 2017 and 2016 were ₱1,922.97 million and ₱154.6 million, respectively.

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

Item 7. FINANCIAL STATEMENTS

The 2017 consolidated financial statements of the Company are incorporated herein the accompanying index to exhibits.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The consolidated financial statements of the Company as at and for the year ended December 31, 2017 and 2016 were audited by SGV & Co., a member firm of Ernst & Young Global Limited.

SGV & Co. has acted as the Company's independent auditor since fiscal year 2014. Cyril Jasmin B. Valencia is the current audit partner for the Company and has served as such since fiscal year 2014. The Company has not had any material disagreements on accounting and financial disclosures with its current independent auditor for the same periods or any subsequent interim period. SGV & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets forth the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co.

	2017	2016
In millions (₱)		
Audit and Audit-Related Fees[1]	₱8,173,340	₱7,987,500
Total	₱8,173,340	₱7,987,500

(1) Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years.

SGV & Co. did not provide services for tax accounting, compliance, advice, planning and any other form of tax services to the Company in the last two fiscal years. Other than the audit of the annual financial statements and the review of the interim financial statements, SGV & Co. did not provide any other services to the Company in the last two fiscal years.

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, provides that the audit committee shall, among other activities (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The audit committee consists of at least three members of the board of directors, at least one of whom is an independent director, including the chairman of the committee. The audit committee, with respect to an external audit:

- Perform oversight functions over the Company's external auditors; the Audit Committee should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.

- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.

- Review the reports submitted by the external auditors.

The following are the members of the Company's audit committee:

(a) Solita V. Delantar - Chairman
(b) Miguel Angel A. Camahort - Member
(c) Enrique V. Rey, Jr. - Member

PART II - CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS

DIRECTORS

LBCEH's by-laws and articles of incorporation provide for the election of nine directors, two of whom shall be independent directors. The board of directors is responsible for the direction and control of the business affairs, and management of the company, and the preservation of its assets and properties. No person can be elected as a director of the company unless he is pre-screened by the nomination committee and is a registered owner of at least one common share of the capital of LBCEH.

The Company's nomination committee is composed of the following:

(a) Solita V. Delantar - Chairman
(b) Miguel Angel A. Camahort - Member
(c) Enrique V. Rey, Jr. - Member

The table below sets forth each member of the LBCEH's board of directors:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	55	Chairman of the Board
Rene E. Fuentes	Filipino	44	Director
Enrique V. Rey, Jr.	Filipino	47	Director
Augusto G. Gan	Filipino	55	Director
Mark Werner J. Rosal	Filipino	43	Director
Anthony A. Abad	Filipino	54	Independent Director
Jason Michael Rosenblatt	Filipino	41	Director
Solita V. Delantar	Filipino	74	Independent Director
Luis N. Yu, Jr.	Filipino	62	Independent Director

The business experience of each of the directors is set forth below.

Miguel Angel A. Camahort
Chairman of the Board, Chief Executive Officer and President

Mr. Miguel Angel A. Camahort is a Director, Chairman of the Board, and President of LBCEH. He is also the President of LBC Express Corporate Solutions, Inc, the subsidiary operating the "Print and Mail" business of LBC Express, Inc. Mr. Camahort concurrently serves on the Board of Directors of the United Football League. Prior to joining the LBC Group, Mr. Camahort was a Senior Vice President and the Chief Operating Officer of Aboitiz One, Inc. from 2007 to 2009 and Aboitiz Transport System Corporation (ATSC) Solutions Division from 2004 to 2007. He also served as a Senior Vice President and the Chief Operating Officer of Aboitiz Transport System Corp. (formerly, William, Gothong & Aboitiz, Inc.) in the Freight Division from 1999 to 2003, prior to which he was the President of Davao Integrated Stevedoring Services Corporation (DIPSCCOR) from 1999 to 2003. Mr. Camahort holds a Bachelor of Science degree in Business Administration and Economics from Notre Dame de Namur University (formerly, the College of Notre Dame) in California, U.S.A.

Rene E. Fuentes
Director

Mr. Rene E. Fuentes is currently the Senior Vice President for Global Retail Operations of LBC Express, Inc. Prior to joining the Company, Mr. Fuentes served as President of Documents Plus, Inc. from 1996 to 2001, and as Regional Manager, Vice-President of EFC Food Corporation from 1996 to 2001. Mr. Fuentes attended De La Salle University and completed a Key Executive Program in November 2013 at the Harvard Business School.

Enrique V. Rey, Jr.
Director
Chief Finance Officer and Investor Relations Officer

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company on September 2015 and elected as the Chief Finance Officer of LBCEH on September 2017 after being an officer-in-charge for the same position since December 2015. Mr. Rey, Jr. was also a director of LBC Systems, Inc. from 2008 to 2010 and LBC Mundial Inc. from 2005 to 2008. Prior to joining the Company, Mr. Rey, Jr. worked for Coca-Cola Phil ATS, where he was the Senior Head of Sales from 2003 to 2005 and the Associate Vice President for Institutional Sales from 2000 to 2003. Mr. Rey, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

Augusto G. Gan
Director

Mr. Augusto G. Gan was appointed Director of LBCEH in September 2015. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp of the Philippines, Pick Szeged ZRT and Sole-Mizo Zrt. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Mark Werner J. Rosal
Director

Atty. Rosal became a director of LBCEH on April 28, 2015. Born in Cebu City, Atty. Rosal, prior to taking up law, has a Bachelor's Degree in Physical Therapy from Cebu Velez College and is a licensed Physical Therapist. Atty. Rosal graduated in the top 5% of his law school batch at the University of San Carlos, Cebu City, in 2002 and was admitted to the Philippine Bar in 2003. He spent his early years in the practice of law at Balgos and Perez Law Offices and Angara Cruz Concepcion Regala and Abello (ACCRALAW). Currently, he is the Managing Partner of Rosal Diaz Bacalla and Fortuna Law Offices, a Cebu-based law firm. As part of his law practice as retained counsel of private corporations, he is a director (holding nominal shares) of Cebu Agaru Motors Inc., Wide Gain Property Holdings, Inc., and Sem-Ros Food Corp. (a non- operational corporation).

Anthony A. Abad
Independent Director

Atty. Anthony A. Abad is currently the CEO and Managing Director of TradeAdvisors, as well as a partner of Abad Alcantara & Associates. He graduated from the Harvard University – John F. Kennedy School of Government with a Master's Degree in Public Administration, and a Fellow in Public Policy and Management at the Harvard Institute for International Development. Atty. Abad graduated from the Ateneo de Manila School of Law with a Juris Doctor degree, and a Bachelor of Arts degree, Major in Economics (Honors). Other current engagements include: Bloomberg Philippines, Anchor; Ateneo Center for International Economic Law, Director; Ateneo de Manila University, Professor; World Trade Organization, Panelist. Previously, Atty. Abad was Key Expert, Trade Policy & Export Development

Trade Assistant for the European Union, Chairman and Secretary's Technical Advisor at the Department of Agriculture, and President and CEO of the Philippine International Trading Corporation.

Jason Michael Rosenblatt
Director

Mr. Jason Rosenblatt is currently a Partner at Crescent Point, a private equity and investment firm based in Singapore. Mr. Rosenblatt assumed a director position at LBC Express Holdings, Inc. in March 2018. His previous positions include: Laurasia Capital Management, Director; Standard Bank, Global Head of Special Situations; DKR Oasis, Head of Principal Strategies; Ritchie Capital Management, Director; McKinsey Company, Associate; and Bank One, Associate.

Solita V. Delantar
Independent Director

Ms. Solita V. Delantar was appointed Director of LBCEH in March 2014. She concurrently serves as Independent Director on the Board of Directors at Anchor Land Holdings, Inc., Executive Director at PMAP Human Resources Management Foundation (since July 2013) and Vice President at PONTICELLI, Inc. (since 2006). Previously, Ms. Delantar served as Vice-President, Human Resources Management & Development Administration (November 1999 - September 2003), Consultant (July 1997 - July 1998), Vice-President, Finance & Administration (May 1988 - June 1996) and various other positions at Honda Philippines, Inc. Ms. Delantar is a Certified Public Accountant, Fellow in Personal Management and professional business mediator. From September 1998 to March 2007, she served as a Member of the Professional Board of Accountancy, which administers licensure examinations for CPAs. Ms. Delantar received her Bachelor of Science degree in Commerce with a major in Accounting from Far Eastern University and participated in a Bachelor of Laws program at Ateneo de Manila University.

Luis N. Yu, Jr.
Independent Director

Mr. Luis Yu, Jr. is the Founder and Chairman Emeritus of the 8990 Holdings, Inc. Mr. Yu is also the Chairman Emeritus of IHoldings, Inc. (2012 to present). He is also the Chairman of 8990 Cebu Housing Development Corporation, 8990 Visayas Housing Development Corporation, 8990 Davao Housing Development Corporation, 8990 Mindanao Housing Development Corporation, 8990 Iloilo Housing Development Corporation and 8990 Luzon Housing Development Corporation (2009 to present), 8990 Housing Development Corporation (2006 to present), Ceres Homes, Inc. (2002 to present), N&S Homes, Inc. (1998 to present), L&D Realty Holdings, Inc. (1998 to present), and Fog Horn (1994 to present). Mr. Yu is currently the President of DECA Housing Corporation (1995 to present). Mr. Yu holds a Master in Business Management degree from the Asian Institute of Management. Mr. Yu has more than 30 years of experience managing and heading companies engaged in Mass Housing subdivision development.

MANAGEMENT AND OFFICERS

LBCEH's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. The table below sets forth each member of the LBCEH's management:

Name	Nationality	Age	Position
Miguel Angel A. Camahort	Filipino	55	Chief Executive Officer and President
Enrique V. Rey, Jr.	Filipino	47	Chief Finance Officer and Investor Relations Officer
Cristina S. Palma Gil-Fernandez	Filipino	49	Corporate Secretary
Rosalie H. Infantado	Filipino	42	Treasurer
Mahleene G. Go	Filipino	37	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Maria Eloisa Imelda S. Singzon	Filipino	31	Assistant Corporate Information Officer

The business experience of each of the LBCEH's officers is set forth below.

Miguel Angel A. Camahort
Chief Executive Officer and President

Please refer to the table of directors above.

Enrique V. Rey Jr.
Investor Relations Officer, Chief Finance Officer

Please refer to the table of directors above.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of LBCEH in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has more than 20 years of experience in corporate and commercial law, with emphasis on the practice areas of banking, securities and capital markets (equity and debt), corporate reorganizations and restructurings and real estate.

Rosalie H. Infantado
Treasurer

Ms. Infantado assumed the position of Treasurer of LBCEH in September 2017. She graduated with a Bachelor of Science degree, Major in Accountancy from the Polytechnic University of the Philippines in 1997. She is currently Vice-President - Financial Reporting and Analysis at LBC Express, Inc., and has been a Certified Public Accountant since 1998. With 20 years of experience in accounting, audit, and financial reporting, Ms. Infantado's previous professional experiences include employment at prestigious companies such as KPMG Philippines (Manabat SanAgustin & Co.), Concordia Advisors (Bermuda) Ltd., CITI Hedge Fund Services, Ltd. (Bermuda), and PriceWaterhouseCooper Philippines.

Mahleene G. Go
Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

Atty. Mahleene G. Go assumed the position of Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer of LBCEH in September 2015. Born on April 25, 1980, Atty. Go graduated with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2001, and with the degree of Juris Doctor from Ateneo De Manila University-School of Law in 2005. She also received a Certificate of Mandarin Language Training for International Students from 2011 to 2012 in Peking University, Beijing, China. She served as a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2007 to 2010 and 2012 and is currently a Senior Associate at the same office. She currently serves as Trustee and Corporate Secretary for Center for Empowerment and Resource and Development, Inc.

Maria Eloisa Imelda S. Singzon
Alternate Corporate Information Officer

Atty. Maria Eloisa Imelda S. Singzon assumed the position of Alternate Corporate Information Officer of LBCEH in April 2015. Born on September 18, 1986, Atty. Singzon graduated cum laude with the degree of Bachelor of Science, Business Economics, from the University of the Philippines in 2008, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2012. She is a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2013 to present.

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as detailed below, provide specific and focused means for the Board to address relevant issues including those related to corporate governance.

SIGNIFICANT EMPLOYEES

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

FAMILY RELATIONSHIPS

As of the date of this Report, there are no family relationships between Directors and members of the Company's senior management known to the Company.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company believes that none of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board prohibited LBC Bank (which is controlled by the Araneta Family) from doing business in the Philippines, ordered it closed, and placed it under the receivership of the PDIC based on the following:

1. LBC Bank has insufficient realizable assets to meet liabilities;

2. LBC Bank cannot continue in business without involving probable losses to its depositors and creditors; and

3. LBC Bank has willfully violated the Cease and Desist Order of the Monetary Board dated 12 March 2010 for acts or transactions which are considered unsafe and unsound banking practices and other acts or transactions constituting fraud or dissipation of the assets of the institution and considering the failure of the Board of Directors/management of LBC Bank to restore the bank's financial health and viability despite considerable time given to address the financial problems, and that the bank had been accorded due process.

The PDIC thereafter stepped in as receiver and prepared its report on LBC Bank's status. Based on the Rehabilitation Report of PDIC, the conclusion/ recommendation was that LBC Bank could not be rehabilitated or otherwise placed in such a condition that it can be permitted to resume business with safety to its depositors, creditors, and the general public considering that:

1. the estimated realizable value of its assets (ERVA) as of 31 December 2011 in the amount of Php1.7 billion is deficient by Php4.96 billion to cover estimated liabilities aggregating to Php6.6 billion. Additional capital infusion of Php5.96 billion is needed to meet the Php1 billion minimum capital requirement for a thrift bank with head office located in Metro Manila; and

2. the rehabilitation proposal submitted by the LBC Group of Companies and the Rizal Banking Corporation via asset purchase agreement was found not viable.

On 5 July 2012, the MB of the BSP issued Resolution No. 1088 directing PDIC to proceed with the liquidation of LBC Bank on the basis of the Rehabilitation Report.

The PDIC has filed various criminal and administrative complaints against certain members of the Araneta Family in relation to the receivership of LBC Bank, which are described below:

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (DOJ). PDIC alleged that the Araneta Siblings, in conspiracy with the other respondents, made it appear that they infused capital into LBC Bank in the amount of approximately 39 Million Pesos to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On 18 April 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice (SOJ) on 25 May 2016. The appeal is currently pending with the SOJ.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged, among others, that LBC Bank took out a 30 Million Peso loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other

liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBCDC who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on 28 March 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately 50 Million Pesos, which were secured by a Hold-Put Agreement on Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advances to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on 25 May 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on 25 May 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. PDIC alleged that the respondents committed acts or omissions constituting unsafe and unsound business practice by entering into Service Agreements with LBC Express, Inc., whose terms were supposedly manifestly and grossly disadvantageous to Bank. The respondents allegedly failed to enforce payment of service fees, thereby causing undue injury and/or unwarranted benefits, advantage, or preference to LBC Express, Inc. through manifest partiality and bad faith that resulted in a material loss or damage to the liquidity or solvency of LBC Bank and to the latter's depositors, creditors, and the general public. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have

participated in the actions alleged in the complaint. They further allege that the complaint does not actually impute any specific criminal action to each of them individually. The case was submitted for resolution of the investigating prosecutor on 11 August 2016 and is still currently pending.

- An administrative complaint was filed by the PDIC before the Office of Special Investigation (OSI) of the *Bangko Sentral ng Pilipinas* (BSP) against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a Resolution dated 14 September 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated 6 March 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about 12 March 2018. The Aranetas intend to file their respective Answers to the formal charges and present their evidence when the case is set for trial. The Aranetas also intend to pursue other remedies against the resolutions of the OSI.

- Mr. Juan Carlos Araneta, Mr. Fernando Araneta, and Mr. Santiago Araneta were named as respondents in their capacity as directors of LBC Bank in a complaint for violation of Section 55.1 (a) of the General Banking Law and Subsection X306.3 of the Manual of Regulations for Banks in relation to Section 36 of the New Central Bank Act that was filed by the BSP with the DOJ. The complaint alleged that the amortizations for certain loans by related parties were allegedly simulated and that the Bank did not receive actual payment. Furthermore, the same loans by such related parties were allowed to be renewed and restructured under terms favourable to the borrowers, to the prejudice of the bank. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations. The case was submitted for resolution of the investigating prosecutor on 4 October 2017 and is still currently pending.

Item 10. EXECUTIVE COMPENSATION

COMPENSATION

There are no employees under LBCEH.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the board of directors for every meeting, there are no standard arrangements pursuant to which directors of LBCEH are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of LBCEH was compensated, or to be compensated, directly or indirectly, during 2017 for any service provided as a director.

EMPLOYMENT CONTRACTS

LBCEH has no special employment contracts with the named executive officers.

WARRANTS AND OPTIONS OUTSTANDING

There are no outstanding warrants or options held by the President, the named executive officers, and all officers and directors as a group.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the LBCEH's voting securities as of 31 December 2017.

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in LBCEH	% of Total Outstanding Shares of LBCEH
Common	LBC Development Corporation General Aviation Center, Domestic Airport Compound, Pasay City (stockholder)	The record owner is the beneficial owner of the shares indicated	Filipino	1,206,178,232	84.59%

Security Ownership of Directors and Officers as of 31 December 2017

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Rene E. Fuentes	1- direct	Filipino	0.0%
Common	Enrique V. Rey, Jr.	1- direct	Filipino	0.0%
Common	Augusto G. Gan	1- direct	Filipino	0.0%
Common	Miguel Angel A. Camahort	1- direct	Filipino	0.0%
Common	Mark Werner J. Rosal	1,000 - direct	Filipino	0.0%
Common	Solita V. Delantar	1- direct	Filipino	0.0%
Common	Luis N. Yu, Jr.	1- direct	Filipino	0.0%
Common	Antonio A. Abad	101-direct	Filipino	0.0%
Common	Jason Michael Rosenblatt	1-direct	Filipino	0.0%

Voting Trust Holders of five percent or More

There were no persons holding more than five percent of a class of shares of LBCEH under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

On May 18, 2015, LBC Development Corporation subscribed to 59,101,000 common shares of the Company (equivalent to 59.10% of the total issued and outstanding capital stock of the Company as of said date) which resulted in LBC Development Corporation acquiring control of the Company.

On September 18, 2015, LBC Development Corporation subscribed to an additional 1,146,873,632 common shares which were issued on October 12, 2015 following the approval by the SEC of the Company's application to increase its authorized capital stock from ₱100,000,000.00 divided into 100,000,000 common shares with par value of ₱1.00 per share, to ₱2,000,000,000.00 divided into 2,000,000,000 common shares with par value of ₱1.00 per share. As of the date of this Report, LBC Development Corporation holds a total of 1,205,974,632 common shares of the Company or 84.58% of the Company's total issued and outstanding capital stock of the Company.

As of December 31, 2017, there are no arrangements which would delay, defer or prevent a change in control of the Company.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

RELATED PARTY TRANSACTIONS

The Company and its subsidiaries in their ordinary course of business, engage in transactions with related parties and affiliates consisting of its parent company (LBC Development Corporation) and entities under common control. These transactions include royalty, service and management fee arrangements and loans and advances.

It is a policy of the Company that related party transactions are entered into on terms which are not more favorable to the related party than those generally available to third parties dealing at arm's length basis and are not detrimental to unrelated shareholders. All related party transactions shall be reviewed by the appropriate approving authority, as may be determined by the board of directors. In the event of a related party transaction involving a director, the relevant director should make a full disclosure of any actual or potential conflict of interest and must abstain from participating in the deliberation and voting on the approval of the proposed transaction and any action to be taken to address the conflict.

Please refer to Note 15 ("Related Party Transactions") to the notes to the 2017 consolidated financial statements of the Company which is incorporated herein in the accompanying index to exhibits.

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

LBC Express, Inc. and LBC Development Corporation have entered into a trademark licensing agreement dated November 29, 2007 under which LBC Development Corporation has granted the Company the full and exclusive right within the Philippines to use LBC Marks including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo and the "Team LBC Hari Ng Padala" logo.

On August 4, 2017, LBC Express, Inc. and LBCDC entered into a trademark licensing agreement, which amended and restated the trademark licensing agreement entered by the same parties on November 9, 2007. Both parties agreed to discontinue royalty payments for the use of LBC Marks in recognition of LBCE's own contribution to the value and goodwill of the trademark effective September 4, 2017.

Cash Advances to and from Related Parties

The Company regularly makes advances to and from related parties to finance working capital requirements and as part of their cost reimbursements arrangement. These unsecured advances are non-interest bearing and payable on demand.

Fulfillment Fee

In the normal course of business, the Company fulfills the delivery of balikbayan boxes and money remittances, and performs certain administrative functions on behalf of its international affiliates. The Company charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

Guarantee Fee

LBCE 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 Company'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.

Dividends

The BOD of LBCEH approved the declaration of cash dividends amounting to ₱827.00 million or ₱0.58 for every issued and outstanding common share. On June 9, 2017 through a Memorandum of Agreement, LBCDC and LBCEH agreed to offset the dividends payable of LBCEH to LBCDC against LBCDC's payable to the Group amounting to ₱699.47 million. The ₱699.47 million pertains to the share in dividends of LBCDC while the ₱127.54 million pertains to the share of non-controlling interest.

PARENT COMPANY/MAJOR HOLDERS

As of the date of this Report, LBC Development Corporation owns 84.59% of the total issued and outstanding capital stock of the Company.

PART IV - CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

Please refer to the Revised Manual on Corporate Governance submitted on May 29, 2017.

PART V - EXHIBITS AND SCHEDULES

Item 14. REPORTS ON SEC FORM 17-C

(a) Exhibits - Please accompanying index to exhibits

(b) Reports on SEC Form 17-C

The following current reports have been reported by LBC Express Holdings, Inc. during the year 2017:

	Disclosure	Date of Report
1	SEC 17-C (Material Information/Transaction) (Declaration of cash dividends by the Company's subsidiary, LBC Express, Inc.)	08 March 2017
2	SEC 17-C (Clarification of News Report) (Clarification on the news article entitled "SEC rejects LBC Express share sale" posted in Manila Standard.net on April 11, 2017)	12 April 2017
3	SEC 17-C (Material Information/Transactions) (SEC Order)	18 April 2017
4	SEC 17-C (Declaration of Cash Dividends)	19 April 2017
5	SEC 17-C (Press Release) (Press release on the Company's performance for 2016)	20 April 2017
6	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Rescheduling of the Annual Stockholders' Meeting)	10 May 2017
7	SEC 17-C (Material Information/Transactions) (Listing Applications of LBC Express Holdings, Inc.)	08 June 2017
8	SEC 17-C (Material Information/Transactions) (Board approval on the issuance of a secured Convertible Instrument due 2024 (the "LBC Convertible Instrument") and the execution of an Omnibus Agreement pursuant thereto)	20 June 2017
9	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Further rescheduling of the Annual Stockholders' Meeting)	04 July 2017
10	SEC 17-C (Legal Proceedings) (Further update on Civil Case No. 15-1258 against, among others, LBC Development Corporation and LBC Express, Inc.)	06 July 2017
11	SEC 17-C (Material Information/Transactions) (Re-filing of the Registration Statement in relation to the public offering by the Company (the "Follow-on Offering") of up to 69,101,000 common shares (the "Offer Shares"))	10 July 2017
12	SEC 17-C (Legal Proceedings) (Further update on Civil Case No. 15-1258 against, among others, LBC Development Corporation and LBC Express, Inc.)	24 July 2017
13	SEC 17-C (Notice of Annual or Special Stockholders' Meeting) (Further rescheduling of the Annual Stockholders' Meeting)	24 July 2017
14	SEC 17-C ((Notice of Annual or Special Stockholders' Meeting) (Amendment of Record Date)	03 August 2017
15	SEC 17-C (Issuance of Debt Securities) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	04 August 2017
16	SEC 17-C (Material Information/Transactions) (Amended and Restated Trademark Licensing Agreement dated 4 August 2017)	04 August 2017
17	SEC 17-C (Amend) (Issuance of Debt Securities) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	04 August 2017
18	SEC 17-C (Material Information/Transactions) (Issuance by the Company of a US$50,000,000 Convertible Instrument due 2024 (the "Instrument") on 4 August 2017.)	07 August 2017
19	SEC 17-C (Comprehensive Corporate Disclosure on Issuance of Shares ((Private Placements, Share Swaps, Property-for-Share Swaps	14 August 2017

	Disclosure	Date of Report
	or Conversion of Liabilities/Debt into Equity)) (Issuance by LBC Express Holdings, Inc. (the "Company") of a US$50.0 million convertible instrument)	
20	SEC 17-C (Amendments to By-Laws) (Amendment of the By-Laws of the LBC Express Holdings, Inc. (the "Company"))	29 August 2017
21	SEC 17-C (Results of Annual or Special Stockholders' Meeting)	29 August 2017
22	SEC 17-C (Clarification of News Reports) (Clarification on the news article entitled "LBC Express on track to exceed core profit target for this year" published in the August 30, 2017 issue of BusinessWorld)	30 August 2017
23	SEC 17-C (Amend) (Results of the Annual Stockholders' Meeting of LBC Express Holdings, Inc.)	29 August 2017
24	SEC 17-C (Results of the Organizational Meeting of the Board of Directors)	28 September 2017
25	SEC 17-C (Update on Corporate Actions/ Material Transactions/Agreements) (Replacement security for the USD50 million Convertible Instrument due 2024 (the "Instrument") issued by the Company on 4 August 2017)	04 October 2017

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of _____ on APR 1 2 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Miguel Angel A. Camahort
President and Chief Executive Officer

APR 1 2 2018

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Miguel Angel A. Camahort	Passport No. P3510481A	June 27, 2022 / DFA Manila

Doc. No. 463;
Book No. 7;
Page No. 94;
Series of 2018.

JAMIE KATRINA F. CHAN
Appointment No. M-223
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. dela Costa Street, Makati City
Roll No. 70089
PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of Pasay on April 5, 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Enrique V. Rey, Jr.
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Enrique V. Rey, Jr.	Passport No. P3355001A	09 June 2017 / DFA Manila

Doc. No. 465 ;
Book No. I ;
Page No. 94 ;
Series of 2018.

JAMIE KATRINA F. CHAN
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PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of _____ on APR 1 2 2018

LBC EXPRESS HOLDINGS, INC.

By:

Rosalie H. Infantado
Treasurer

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Rosalie H. Infantado	Passport No. EC2893626	03 December 2014 / DFA Manila

Doc. No. 466;
Book No. I;
Page No. 95;
Series of 2018.

JAMIE KATRINA F. CHAN
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PTR No. 6619503/Makati City/01-05-2018
IBP No. 020684/PPLM/01-03-2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned thereunto duly authorized, in the City of _____ on APR 1 2 2018.

LBC EXPRESS HOLDINGS, INC.

By:

Mahleene G. Go
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 2 2018 2018, affiants exhibiting to me their respective competent evidence of identities, as follows:

Name	Competent ID	Date and Place of Issue
Mahleene G. Go	Philippine Passport No. EC1941000	20 August 2014 DFA NCR East

Doc. No. 464;
Book No. I;
Page No. 94;
Series of 2018.

JAMES PATRICK F. CHAN
Appointment No. M-223
Notary Public for Makati City
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IBP No. 020684/PPLM/01-03-2018