

COVER SHEET

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S.E.C. Registration Number

L B C E X P R E S S H O L D I N G S ,
I N C , (f o r m e r l y F E D E R A L
R E S O U R C E S I N V E S T M E N T
G R O U P I N C .)

(Company's Full Name)

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

(Business Address : No. Street/City/Province)

Mahleene G. Go
Contact Person

8880999
Company Telephone Number

1 2
Month

3 1
Day

Fiscal Year

SEC FORM 20-IS
FORM TYPE

2nd Monday of June of
each year
Month

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic

To be accomplished by SEC Personnel concerned
File Number

Document I.D.

LCU

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE
COMMISSION



1. Check the appropriate box:

☒ Preliminary Information Statement

☐ Definitive Information Statement

2. Name of Registrant as specified in its charter : **LBC EXPRESS HOLDINGS, INC.**
(Formerly Federal Resources
Investment Group, Inc.)
("LBCEH" or the "Company")
3. Province, country or other jurisdiction of incorporation
or organization : **Philippines**
4. SEC Identification Number : **AS093-005277**
5. BIR Tax Identification Number : **002-648-099-000**
6. Address of Principal Office : **LBC Hangar, General Aviation
Centre, Domestic Airport Road,
Pasay City, Metro Manila**
- Postal Code : **1300**
7. Registrant's telephone number, including area code : **(632) 856 8510**
8. Date, time and place of the meeting of security holders : **29 July 2019
2:00 PM
Sofitel Philippine Plaza Manila,
Boracay Room**
9. Approximate date on which the Information Statement
is first to be sent or given to security holders : **5 July 2019**
10. *In case of Proxy Solicitations:*
Name of Person Filing the Statement/Solicitor: : **Not applicable**
Address and Telephone No. : **Not applicable**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA
(information on number of shares and amount of debt is applicable only to corporate registrants):

Title of each class

Number of Common Stock Outstanding
or Amount of Debt Outstanding
(as of 28 May 2019)

Common Shares

1,425,865,471

12. Are any or all of registrant's securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein.

The Common Shares of LBC Express Holdings, Inc. are listed on the Philippine Stock Exchange.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

GREETINGS:

Please take notice that the Annual Meeting of Stockholders of LBC EXPRESS HOLDINGS, INC. will be held on **29 July 2019**, 2:00 PM at Sofitel Philippine Plaza Manila, Boracay Room, to discuss the following:

AGENDA

1. Call to Order
2. Proof of Service of Notice
3. Certification of Presence of Quorum
4. Approval of the Minutes of the Annual Stockholders' Meeting held on 9 July 2018
5. Ratification of all acts of the Board of Directors and Officers since the 2018 Annual Stockholders' Meeting adopted in the ordinary course of business
6. Approval of the Annual Report and Audited Financial Statements of the Company for the year ended 31 December 2018
7. Report of Management
8. Election of the Members of the Board of Directors including the Independent Directors for the Ensuing Year and the Directors for the Newly Created Board Seats
9. Appointment of the Company's External Auditors for Fiscal Year 2019
10. 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.
11. Other Matters

For purposes of the meeting, only stockholders of record as of **3 June 2019** are entitled to attend and vote in the said meeting.

For your convenience in registering your attendance, please have some form of identification such as a passport, driver's license or voter's I.D.

The Company is not soliciting proxies.


CRISTINA S. PALMA GIL-FERNANDEZ
Corporate Secretary

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, Time, and Place of Meeting of Security Holders

Date : 29 July 2019
Time : 2:00 PM
Place : Sofitel Philippine Plaza Manila, Boracay Room

Complete mailing address of the principal office of the Company : LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City, Metro Manila

Approximate date when the Information Statement is first to be sent out to stockholders of record: : 5 July 2019

**WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

Other than the election to office to include the nomination and election of directors and independent directors, there are no matters to be acted upon in which any director or executive officer is involved or had a direct, indirect, or substantial interest. Furthermore, no director has informed the registrant, in writing or otherwise, that he/she intends to oppose any action to be taken by the registrant at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 28 May 2019, the number of shares outstanding of LBC Express Holdings, Inc. ("LBCEH" or the "Company") is 1,425,865,471 shares with par value of One Peso (Php1.00) per share.

All stockholders of record at the close of business hours on 3 June 2019 (the "Record Date") are entitled to notice and to vote at the Annual Stockholders' Meeting.

A common stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of the Company as of the Record Date. With respect to the election of directors, said stockholder may vote such number of shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners as of 28 May 2019

The Company has no knowledge of any person who, as of 28 May 2019, was directly or indirectly the beneficial owner of more than five percent (5%) of the Company's outstanding shares of common stock or who has voting power of investment with respect to shares comprising more than five percent (5%) of the Company's outstanding shares of common stock except as stated below:

Title of Class	Name	Address	No. of Shares Held	Name of Beneficial Owner	Citizenship	%
Common Shares	LBC Development Corporation	LBC Hangar, General Aviation Centre, Domestic Airport Road, Pasay City	1,206,178,232	The record owner is the beneficial owner of the shares indicated	Filipino	84.58%
TOTAL			1,206,178,232			84.58%

Security Ownership of Directors and Management as of 28 May 2019

The following table shows the shareholdings beneficially held by the directors and executive officers of the Company as of 28 May 2019.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	% of Total Outstanding Shares
		Direct	Indirect		
Common	Rene E. Fuentes	1	N/A	Filipino	0.0
Common	Enrique V. Rey, Jr.	1	N/A	Filipino	0.0
Common	Augusto Gan	1	N/A	Filipino	0.0
Common	Miguel Angel A. Camahort	1	N/A	Filipino	0.0
Common	Jason Michael Rosenblatt	1	N/A	American	0.0
Common	Mark Werner J. Rosal	1,000	N/A	Filipino	0.0
Common	Solita V. Delantar	1	N/A	Filipino	0.0
Common	Luis N. Yu, Jr.	1	N/A	Filipino	0.0
Common	Anthony A. Abad	101	N/A	Filipino	
TOTAL		1,107			0.0

Voting Trust Holders of 5% or More

As of 28 May 2019, the Company is not aware of any voting trust or similar agreements involving the securities of the Company or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar agreements.

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 1,206,178,232 common shares of the Company or 84.58% of the Company's total issued and outstanding capital stock of the Company.

Item 5. Directors and Executive Officers

The following served as Directors of the Company for the year 2018:

Name	Age	Nationality	Position
Miguel Angel A. Camahort	56	Filipino	Chairman of the Board
Enrique V. Rey, Jr.	48	Filipino	Director
Rene E. Fuentes	45	Filipino	Director
Mark Werner J. Rosal	44	Filipino	Director
Augusto Gan	56	Filipino	Director
Anthony A. Abad	55	Filipino	Independent Director
Jason Michael Rosenblatt	42	American	Director
Luis N. Yu, Jr.	63	Filipino	Independent Director
Solita V. Delantar	75	Filipino	Independent Director

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

Miguel Angel A. Camahort

Chairman of the Board and President

Mr. Miguel Angel A. Camahort is a Director, Chairman of the Board and President of the Company. 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.

Enrique V. Rey, Jr.

Director

Mr. Enrique V. Rey Jr. assumed the position of Investor Relations Officer of the Company in September 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, 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.

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.

Mark Werner J. Rosal

Director

Atty. Rosal became a director of the Company on 28 April 2015. Born in Cebu City, Atty. Rosal, prior to taking up law, has a Bachelor's Degree in Physical Therapy from Cebu Velez College and is a

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

Augusto Gan

Director

Mr. Augusto G. Gan was appointed Director of the Company in November 2013. Mr. Gan concurrently serves as a Director of Atlantic Gulf and Pacific Company, Investment and Capital Corp of the Philippines, Pick Szeged ZRT, Sole-Mizo Zrt and Netvoice Inc. He is also the Managing Director of Ganesp Ventures and the Chairman of the Board of Anders Consulting Ltd. Previously, Mr. Gan was the President of the Delphi Group from 2001 to 2012 and the Chief Executive Officer of Novasage Incorporations (HK) from 2006 to 2007. He has also served as a Director of AFP Group Ltd. (HK) from 2005 to 2007 and ISM Communication from 2003 to 2004, as well as the Chairman of the Boards of Cambridge Holdings from 1995 to 2000 and Qualibrand Industries from 1988 to 2001. Mr. Gan holds a Master in Business Management degree from the Asian Institute of Management.

Anthony A. Abad

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 was appointed Director of the Company on March 2, 2018. He 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 the Company in March 2014. 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.

The following served as Officers of the Company for the year 2018:

Name	Age	Nationality	Position
Miguel Angel A. Camahort ..	56	Filipino	Chief Executive Officer and President
Enrique V. Rey, Jr.	48	Filipino	Investor Relations Officer and Chief Finance Officer
Rosalie Infantado	43	Filipino	Treasurer
Cristina S. Palma Gil-Fernandez.	50	Filipino	Corporate Secretary
Mahleene G. Go.	38	Filipino	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ernesto C. Naval III	26	Filipino	Assistant Corporate Information Officer

The business experience of each of the Company'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 and Chief Finance Officer

Please refer to the table of directors above.

Rosalie 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 PriceWaterhouseCoopers Philippines.

Cristina S. Palma-Gil Fernandez
Corporate Secretary

Atty. Palma Gil-Fernandez assumed the position of Corporate Secretary of the Company in September 2015. Atty. Palma Gil-Fernandez graduated with a Bachelor of Arts degree, Major in History (Honors) from the University of San Francisco in 1989, and with a Juris Doctor degree, second honors, from the Ateneo de Manila University in 1995. She is currently a Partner at Picazo Buyco Tan Fider & Santos Law Offices and has over 24 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. She serves as corporate secretary to a number of Philippine corporation, including four (4) publicly-listed companies.

Mahleene G. Go

Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer

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

Ernesto C. Naval III

Alternate Corporate Information Officer

Atty. Ernesto C. Naval III assumed the position of Alternate Corporate Information Officer of the Company in June 2018. Born on November 4, 1992, Atty. Naval graduated with the degree of Bachelor of Science, Management, from the Ateneo De Manila University in 2013, and with the degree of Juris Doctor from Ateneo de Manila School of Law in 2017. He is a Junior Associate at Picazo Buyco Tan Fider & Santos Law Offices from 2018 to present.

	Audit Committee	Board Risk Oversight Committee	Corporate Governance Committee	Related-Party Transaction Committee
Miguel Angel A. Camahort				
Rene E. Fuentes				
Enrique V. Rey, Jr.			M	
Solita V. Delantar	C	M	M	
Mark Werner J. Rosal				
Luis N. Yu, Jr.	M	M	C	M
Augusto G. Gan				M
Anthony A. Abad	M	C		C
Jason Michael Rosenblatt				

Information Required of Directors and Executive Officers

Directors and Executive Officers

As of the date of this Information Statement, the following persons have been nominated to the Board for election at the Annual Stockholders' Meeting and have accepted their nomination:

MIGUEL ANGEL A. CAMAHORT

ENRIQUE V. REY, JR.

MARK WERNER J. ROSAL

LUIS N. YU, JR. as independent director

SOLITA V. DELANTAR as independent director

ANTHONY A. ABAD as independent director

RENE E. FUENTES

AUGUSTO G. GAN

JASON MICHAEL ROSENBLATT

The nominees were formally nominated to the Nomination Committee of the Board by a shareholder of the Company, LBC Development Corporation. Ms. Solita V. Delantar, Mr. Luis N. Yu, Jr. and Mr. Anthony A. Abad are being nominated as independent directors. The nominated independent directors, having possessed the qualifications and none of the disqualifications of an independent director, were nominated by Klarence Tan Dy in accordance with the guidelines for the nomination and election of independent directors pursuant to Rule 38 of the Securities Regulation Code (SRC). Klarence Tan Dy is not related to any of the nominees including Ms. Solita V. Delantar, Mr. Luis N. Yu, Jr., and Mr. Anthony A. Abad.

The qualifications of all nominated directors, including the nominated independent directors, have been pre-screened in accordance with the Corporate Governance Manual and By-Laws of the Company. Only the nominees whose names shall appear on the final list of candidates are eligible for election as directors (independent or otherwise), in accordance with the procedure set forth in the By-Laws of the Company. No other nominations will be entertained after the preparation of the final list of candidates and no further nominations shall be entertained or allowed during the Annual Stockholders' Meeting.

Certifications of Independent Directors are attached hereto as **Annexes "A", "A-1", and "A-2"**.

The Secretary's Certificate attesting to the fact that none of the directors and officers of the Corporation holds any position in any capacity in any government agency or instrumentality is hereto attached as **Annex "B"**.

Significant Employees

None at the moment. The intention, however, is to build a workforce to support the Company's intended expansion in operations or investment activity.

Family Relationships

None amongst the directors, executive officers and persons nominated to be directors and executive officers of the Company have family relationships up to the fourth civil degree either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

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

On 9 September 2011, pursuant to Monetary Board Resolution No. 1354, the Monetary Board (MB) of the Bangko Sentral ng Pilipinas (BSP) 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 Philippine Deposit Insurance Corporation (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 Philippine Deposit and Insurance Corp. (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 Commercial 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. The Araneta Family owns and controls LBC Development Corporation, which, in turn, is the controlling shareholder of the Company.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Ms. Ma. Monica G. Araneta (the "Araneta Siblings") were named as respondents in their capacity as stockholders and/or directors LBC Bank in a complaint for estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the Department of Justice (the "DOJ"). 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 Php39 Million to cover a capital deficiency as required by the BSP. The Araneta Siblings denied the allegations, stating that they actually paid for the subscription, as shown by PDIC's own evidence, that no evidence was presented to show conspiracy, and that as mere stockholders and/or directors, they are not involved with the day-to-day management of the bank and how the bank used the money subject of the case. On April 18, 2016, the complaint against all the respondents was dismissed by the investigating prosecutor. The PDIC filed a Petition for Review with the Secretary of Justice ("SOJ") on May 25, 2016. The appeal is currently pending with the SOJ.
- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged, among others, that LBC Bank took out a Php30 Million loan from Chinabank "to generate funds for the purpose of remittance." The loan, however, was allegedly not recorded as "Bills Payable" nor as any other liability in LBC Bank's books. PDIC claims that the loan proceeds were transferred to LBC Development Corporation who used the funds to partially pay LBC Bank for advances of remittances. LBC Bank then allegedly paid the loan to Chinabank prior to maturity date using LBC Bank's own funds. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to

obtain a loan was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on March 28, 2016 and is still currently pending.

- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and conducting business in an unsafe and unsound manner that was filed by the PDIC with the DOJ. PDIC alleged that LBC Bank obtained three loans from Chinabank in the amount of approximately Php50 Million, which were secured by a Hold-Out Agreement on LBC's existing Foreign Currency Deposit Unit Time Deposits of various LBC affiliate companies with Chinabank. The loans all indicated that the proceeds were intended for LBC Bank's "working capital" and yet were not recorded as "Bills Payables" or liabilities in the books of LBC Bank. The proceeds from the loan were allegedly credited by Chinabank to LBC Bank's Current/Savings Bank Account, and then used as partial payment for "advance to affiliates". Thereafter, LBC Bank used the proceeds of the matured time deposits to pay the loans to Chinabank. The Aranetas denied the allegations, stating, among others, that the approval of the resolution granting the corporation the authority to obtain loans was a regular action of the members of the board of directors in the normal and ordinary course of business, and they cannot be held liable individually as directors for the mere approval of a regular corporate action. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.
- Mr. Juan Carlos Araneta, Mr. Santiago Araneta and Mr. Fernando Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for syndicated estafa, falsification of commercial documents and unsound business practices that was filed by the PDIC with the DOJ. PDIC alleged that Foreign Currency Remittances received by LBC Mabuhay were not deposited to LBC Bank's Dollar Account with CalBank resulting in funding gaps or "short remittances." Despite this, LBC Bank continued to pay the full amount of the remittance instructions resulting in Advances by LBC Bank in favor of LBC Mabuhay, supposedly in violation of the Memorandum of Understanding between LBC Bank and the BSP. The Aranetas denied the allegations, stating, among others, that as mere stockholders and/or directors, they are not involved in the day-to-day management and operations of the bank and thus could not have participated in the actions alleged in the complaint. The case was submitted for resolution of the investigating prosecutor on May 25, 2016 and is still currently pending.
- Mr. Juan Carlos Araneta, Mr. Santiago Araneta, Mr. Fernando Araneta and Mr. Carlos G. Araneta were named as respondents in their capacity as stockholders and/or directors of LBC Bank in a complaint for unsafe and unsound business practices that was filed by the PDIC with the prosecutor's office. 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 August 11, 2016 and is still currently pending.
- An administrative complaint was filed by the PDIC before the Office of the Special Investigation (OSI) BSP against Mr. Juan Carlos Araneta, Mr. Santiago Araneta, and Mr. Fernando Araneta, together with other respondents in their capacity as stockholders and/or directors of LBC Bank. The administrative complaint is based on the same complaint discussed in the preceding paragraph. The Aranetas adopted the same defences as discussed in the preceding paragraph. After a preliminary investigation, the OSI issued a

Resolution dated September 14, 2017, finding a *prima facie* case of unsound banking practice against the Aranetas and the former LBC Bank president, while dismissing the case against the other respondents who were former employees of LBC Bank for lack of evidence. The OSI denied the Aranetas' motion for reconsideration in a Resolution dated March 6, 2018. The OSI filed formal charges against the Aranetas and the former LBC Bank president with the Supervised Banks Complaints Evaluation Group (SBCEG) of the BSP on or about March 12, 2018. The 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 case is currently undergoing preliminary investigation before the city prosecutor. The Aranetas have denied the accusations and emphasized that they were not aware of nor did they participate in any alleged simulation of payments. They also maintain that the evidence filed by the BSP does not show their knowledge or involvement. They also approved the renewal and restructuring terms only after the Credit Group of LBC Bank performed due diligence and made recommendations. The case was submitted for resolution of the investigating prosecutor on October 4, 2017 and is still currently pending.
- On November 16, 2018, Mr. Santiago Araneta and Mr. Juan Carlos Araneta received, via registered mail, letters from the BSP ISD II, informing them that the Monetary Board, under Resolution No. 1716 dated October 28, 2018 has approved the inclusion of their names in the BSP Masterlist of Watchlisted Persons – Disqualification File "B" (Temporary) (the "BSP Watchlist") and temporarily disqualifying them from becoming a director and/or officer in any BSP-supervised financial institution. Mr. Fernando Araneta received the same letter on November 21, 2018. As a result of their inclusion in the BSP Watchlist, Mr. Santiago Araneta and Mr. Fernando Araneta vacated their positions as directors of LBC Express, and an election was held last December 6, 2018 to fill in the positions they vacated.

Certain Relationships and Related 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 Note 17 (Related Party Transactions) of the Notes to the 2018 Consolidated Financial Statements.

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"), "We Like to Move It", and "WWW.LBCEXPRESS.COM" as well as the "LBC" corporate logo, the "Team LBC Hari Ng Padala" logo, and the "We Like to Move It" logo.

Cash Advances to and from Related Parties

LBC Express, Inc. 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, LBC Express, Inc. fulfills the delivery of balikbayan boxes, documents, parcels and money remittances, and performs certain administrative functions on behalf of its international affiliates. LBC Express Inc. charges delivery fees and service fees for the fulfillment of these services based on agreed rates.

Guarantee Fee

LBC Express, Inc. 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 LBC Express, Inc. 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

On December 20, 2018, the Board of Directors of the Company approved the declaration of cash dividends amounting to ₱285.17 million or ₱0.20 for every issued and outstanding share.

On February 8, 2019, through a Memorandum of Agreement, LBC Development Corporation and the Company agreed to offset the dividends payable by the Company to LBC Development Corporation against the latter's payable to the Group amounting to ₱229.37 million of the total amount of dividends declared by the Company as aforesaid. The ₱241.19 million pertains to the share in dividends of LBC Development Corporation while the ₱43.98 million pertains to the share of other minority shareholders in the Company.

Resignation of Directors

No director has resigned from, or declined to stand for re-election to the Board since the date of the 2018 Annual Stockholders' Meeting due to any disagreement with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

EMPLOYMENT CONTRACTS

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

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 the Company are

compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2010 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during 2018 for any service provided as a director.

Employment Contracts

The Company 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 7. Independent Public Accountants

The external auditor of the Company is the accounting firm of SyCip Gorres Velayo & Co. ("SGV & Co."). The Board, upon the recommendation of the Company's Audit Committee, approved the reappointment of SGV & Co. as the Company's independent auditor for 2018 based on their performance and qualifications.

The reappointment of SGV and Co. will be presented to the stockholders for their approval at the Annual Stockholders' Meeting.

Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The consolidated financial statements of the Company as of and for the year ended 31 December 2018, 2017, 2016, 2015 and 2014 were audited by SGV & Co., a member firm of Ernst & Young Global Limited. The consolidated financial statements as of and for the years ended 31 December 2012 and 2013 were audited by Isla Lipana & Co., the Philippine Member Firm of the PriceWaterhouseCoopers Global Network.

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.

Audit and Audit-related Fees

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

	2018	2017
In millions		
Audit and Audit-Related Fees ⁽¹⁾	P8.00	P3.45
Transaction Support Services-Related Fees ⁽²⁾	0.80	1.45
Total	P8.80	P4.90

- (1) *Audit and Audit-Related Fees. This category includes the audit of annual financial statements, review of interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years*
- (2) *Transaction Support Services - Related Fees. This category includes the due diligence performed in relation to the acquisition of ownership interest in another entity.*

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, shall:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Review the reports submitted by the external auditors.

Item 8. Compensation Plans

During the Annual Stockholders' Meeting held on 13 August 2007, the stockholders owning or representing at least two thirds (2/3) of the outstanding capital stock approved the stock option for the Company's deserving employees, officers and board members to be derived from the Company's unissued authorized capital stock up to the extent of ten percent (10%) of the outstanding capital stock of the Company, subject for approval by the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The terms and conditions governing the stock option plan still have to be determined and approved by the Board of Directors. The application for said stock option plan has not been filed yet with the SEC and PSE. There are no stock warrants or options outstanding.

While the Company currently does not have any intention of issuing stock option plans, it reserves the right to issue the same in the future subject to applicable regulations.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

- (i) Management's Discussion and Analysis of Financial Condition and Results of Operations are attached hereto as **Annex "C"**.
- (ii) The Annual Report for the year ended 31 December 2018 are attached hereto as **Annex "D"**.

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to mergers, consolidations, acquisitions, sales, or other transfers of all or any substantial part of the assets of the Company, liquidation or dissolution of the Company, and similar matters.

Description of the business of the registrant and its significant subsidiaries

As of 28 May 2019, this is the list of the subsidiaries of LBC Express, Inc.:

<u>Name</u>	<u>Country of Incorporation</u>	<u>Principal Activities</u>
LBC Express - MM, Inc.	Philippines	Logistics and money remittance
LBC Express - CL, Inc.	Philippines	Logistics and money remittance
LBC Express - NL, Inc.	Philippines	Logistics and money remittance
LBC Express - VIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SL, Inc.	Philippines	Logistics and money remittance
LBC Express - SCS, Inc.	Philippines	Logistics and money remittance
LBC Express Corporate Solutions, Inc.	Philippines	Logistics and money remittance
LBC Express - CMM, Inc.	Philippines	Logistics and money remittance
LBC Express - EMM, Inc.	Philippines	Logistics and money remittance
LBC Express - MIN, Inc.	Philippines	Logistics and money remittance
LBC Express - SMM, Inc.	Philippines	Logistics and money remittance
LBC Express - SEL, Inc.	Philippines	Logistics and money remittance
LBC Express - WVIS, Inc.	Philippines	Logistics and money remittance
LBC Express - SEM, Inc.	Philippines	Logistics and money remittance
LBC Express - SCC, Inc.	Philippines	Logistics and money remittance
South Mindanao Courier Co., Inc.	Philippines	Logistics and money remittance
LBC Express - NEMM, Inc.	Philippines	Logistics and money remittance
LBC Express - NWMM, Inc.	Philippines	Logistics and money remittance
LBC Systems, Inc.	Philippines	Logistics and money remittance
LBC Express Bahrain, LLC	Bahrain	Logistics
LBC Express WLL	Kuwait	Logistics
LBC Express LLC	Qatar	Logistics

On 27 June 2018, the Board of Directors of the Company approved the purchase of 100% of the shares in the following companies:

1. LBC Australia PTY Limited – a company which operates as a cargo company in Australia
2. LBC Money Transfer PTY Limited – a company which operates a remittance company in Australia

3. LBC Express Airfreight (S) PTE. LTD. – a company which operates as a cargo company in Singapore
4. LBC Aircargo (S) PTE. LTD, – a company registered in Singapore which operates a cargo branch in Taiwan

On June 27, 2018, the Company signed separate Share Purchase Agreements for the acquisition of the shares in the aforementioned companies. The purchase of the shares in the aforementioned companies have already been completed.

On August 14, 2018, the Board of Directors of the Company approved the purchase of 92.5% of the shares in LBC Mabuhay (Malaysia) SDN BHD, a company which is engaged in the business of courier services in Malaysia. On the same date, the Company signed the Share Purchase Agreement for the acquisition of the shares. The purchase of the shares in in LBC Mabuhay (Malaysia) SDN BHD have already been completed.

On October 15, 2018, the Board of Directors of the Company approved the purchase of 50% of the shares in the following companies:

1. LBC Mabuhay Remittance SDN BHD – a company engaged in the business of remittance in Brunei
2. LBC Mabuhay (B) SDN BHD – a company engaged in the business of logistics in Brunei

On October 15, 2018, the Company signed separate Share Purchase Agreements for the acquisition of the shares in both companies. The purchase of the shares in both companies have been completed.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty, Agreement or Labor contracts including duration

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 entered into on November 9, 2007. 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 on 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.

Governmental approval of principal products and services

Republic Act No. 776 (“RA 776”) and Executive Order No. 514 (“EO 514”) are the principal statutes that provide the regulatory framework for freight forwarding by air and sea, respectively.

Freight Forwarding by Air

Under RA 776, an air freight forwarder is defined as an indirect air carrier which, in the ordinary and usual course of its undertaking, assembles and consolidates or provides for assembling and consolidating such property or performs or provides for the performance of break-bulk and distributing operations with respect to consolidated shipments, and is responsible for the transportation of property from the point of receipt to point of destination and utilizes for the whole or any part of such transportation the services of a direct air carrier. As mandated by RA 776, an airfreight forwarder shall only be allowed to engage in its allowed activities as stated in the law if it has, in force, a permit or any other form of authorization issued by the Civil Aeronautics Board ("CAB"). RA 776 states that only "citizens of the Philippines" may engage in domestic air commerce or air transportation, which includes air freight forwarding. For this purpose, a "citizen of the Philippines" means (a) an individual who is a citizen of the Philippines, or (b) a partnership of which each member is such an individual, or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines.

Each permit/certificate issued by the CAB shall be effective from the date specified therein and shall continue in effect until suspended or revoked or until the CAB shall certify that operation thereunder has ceased. If any service authorized by a permit/certificate is not inaugurated within a period of 90 days after the date of authorization as shall be fixed by the CAB or after such other period as may be designated by the CAB, the CAB may by order or direct that such permit/certificate shall thereupon cease to be effective to the extent of such service. No permit/certificate shall be issued for a period of more than 25 years.

Freight Forwarding by Sea

Under EO 514, the Philippine Shippers' Council was converted into a regular agency of the Department of Trade and Industry ("DTI") known as Philippine Shippers' Bureau ("PSB").

Under the PSB Rules, an international freight forwarder ("IFF") is defined as a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. An IFF can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign Non-Vessel Operating Common Carrier ("NVOCC") cargo consolidator named in a Master Bill of Lading as consignee of a consolidated shipment, and other related undertakings. The required minimum paid up capital of an IFF is ₱2,000,000.00 while its required minimum insurance coverage is ₱500,000.00. In contrast, a domestic freight forwarder ("DFF") is defined as an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client. The required minimum capital of a DFF is ₱250,000.00 while its required minimum insurance coverage is ₱250,000.00.

An IFF and DFF shall secure an accreditation with the PSB in order to conduct sea freight forwarding activities. The PSB issues a Certificate of Accreditation to a DFF and IFF to engage in the specific sea freight forwarding functions and/or category/ies it can operate. Every branch of a DFF and IFF must first be accredited before said branch can legally engage in the freight forwarding business. The Certificate of Accreditation has a life span of two years unless sooner cancelled under the PSB Rules. Its life span may also be cut short when it is automatically, or deemed revoked. The said Certificate shall not be transferred, alienated or inherited, in any manner. Official representatives of an accredited IFF or DFF firm are required to obtain PSB IDs. The life span of a PSB ID is co-terminus with the life span of the Certificate of Accreditation. Thus, the cancellation, suspension, expiration or automatic/deemed revocation of the Certificate of Accreditation shall result in the automatic cancellation, suspension, expiration or revocation of the PSB ID.

Regulation of Private Express and Messengerial Delivery Services in the Philippines

Under Republic Act No. 7354, otherwise known as the "Postal Service Act of 1992", the Department of Transportation and Communications (the "DOTC") was given the exclusive power and authority to regulate the postal delivery services industry or those engaged in domestic postal commerce, including the registration and prequalification of any natural or juridical person, other than freight forwarders, who engage in the business of letter and parcel messengerial services, door-to-door

delivery, or the transporting of the property of others that are similar to mail or parcel. Pursuant to such authority, on January 23, 2001, the DOTC issued Department Circular No. 2001-01 known as the "Rules and Regulations in the Processing, Hearing and Adjudication of Applications for Authority to Operate Private Express and/or Messenger Delivery Service, and in Investigation of Complaints in connection with the Operation of such Services" (the "DOTC Rules").

The DOTC Rules provide that only Filipino citizens or corporations or partnerships duly registered with the Securities and Exchange Commission, at least 60% of whose capital stock or shares is owned by Filipino citizens may apply to operate private express and/or messenger delivery services in the Philippines. Further, the executive and managing officers of such applicant are also required to be citizens of the Philippines. If assessed favorably, and after complying with the substantive and procedural requirements under the DOTC Rules, the applicant may be granted an authority by the Secretary of the DOTC to operate private express and/or messenger delivery services, which authority may be renewed, upon application, on a graduated scale (i.e., 1 to 5 years) and shall be renewable thereafter every five years. A copy of the authority granted shall also be furnished to the Private Express and Messengerial Association of the Philippines. Moreover, the authority granted may be amended, suspended, or cancelled when the public interest so requires or whenever the holder thereof has violated any order, rule or regulation prescribed by the DOTC.

The Commission on Information and Communication Technology ("CICT") was created in 2004 and attached to the Office of the President by Executive Order No. 269. The CICT was the primary policy, implementing, and regulating entity for the promotion and development of integrated and strategic information and communications technology systems and communication facilities and services. Among the functions transferred to the CICT included the responsibilities of the DOTC relating to communications, and the authority to establish and prescribe rules and regulations for the operation and maintenance of a nationwide postal system that shall include mail processing, delivery services, and money order services.

In 2011, President Aquino issued Executive Order No. 47 renaming the CICT as the Information and Communications Technology Office ("ICTO"), transferring the former's functions to the latter, and placed the ICTO under the technical and administrative supervision of Department of Science and Technology ("DOST"). Among others, the ICTO is tasked with the implementation of the government's ICT-related initiatives.

Applications for authority or renewal of authority to operate private express and/or messengerial delivery entities as described earlier, are currently dealt with by the ICTO.

Regulation of Remittance Agents in the Philippines

Under BSP Circular No. 471, series of 2005, all qualified persons or non-bank institutions who intend to act as foreign exchange dealers/money changers and/or remittance agents are required to register with the BSP, before they can operate as such. Upon approval of the application of the foreign exchange dealer/money changer or remittance agent, a certificate of registration shall be issued by the BSP.

All foreign exchange dealers/money changers and/or remittance agents are likewise required to comply with the applicable provisions of Republic Act No. 7653 (The New Central Bank Act) and Republic Act No. 9160, as amended by Republic Act No. 9194, and further amended by Republic Act No. 10167, or the Philippine Anti-Money Laundering Act of 2001.

Effect of existing or probable government regulations on the business

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

Aside from the TRAIN Law, there are no existing or probable governmental regulation that are material to the business of the Company.

Major risks involved in each of the business of the company and subsidiaries.

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 and its subsidiaries to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy. Some of these risks include the following:

- Any political instability in the Philippines may adversely affect the Company's business, results of operations or financial condition.
- There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect the Company's business, financial condition and results of operations. Acts of terrorism, clashes with separatist groups and violent crimes could destabilize the country and could have a material adverse effect on the Company's business and financial condition.
- Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.
- Investors may face difficulties enforcing judgments against the Company.
- Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.
- The sovereign credit ratings of the Philippines may adversely affect the Company's business.
- The occurrence of natural catastrophes could adversely affect the Company's business, financial condition or results of operations.
- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Company's business.

Legal Proceedings

Due to the nature of the Company's business, however, 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 November 2, 2015, LBC Bank, through its receiver/liquidator, the PDIC, filed a case against LBC Express, Inc. and LBC Development Corporation, together with other respondents, for a total collection of ₱1.82 billion. The PDIC seeks to collect allegedly unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The case was raffled to Branch 143 of the Makati City Regional Trial Court.

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

On January 12, 2016, LBC Express, Inc. and LBC Development Corporation filed with the court a Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion. On January 21, 2016, they also filed an Urgent Motion to Dismiss the Complaint for the collection of the sum of ₱1.82 billion

and on January 21, 2016, filed its Urgent Motion to Approve the Counterbond and Discharge the Writ of Attachment.

On February 17, 2016, the court issued an order to lifting and setting aside the writ of preliminary attachment. The said order directed the sheriff of the court to deliver to LBC Express Inc. and LBC Development Corporation all properties previously garnished pursuant to the writ of preliminary attachment. The counterbond delivered by LBC Express, Inc. and LBC Development Corporation, which is for an amount equal to ₱1.82 billion (the total amount of the claim) shall stand in place of the properties so released and shall serve as security to satisfy any final judgement against LBC Express, Inc. or LBC Development Corporation in the case. Furthermore, LBC Development Corporation has expressly undertaken to both the Company and LBC Express, Inc. to fund, through additional equity in LBC Express, Inc., any amount that the latter may be adjudged to pay in the case.

Pursuant to the said order setting aside the writ of preliminary attachment and garnishment, RCBC Stock Transfer Department has effected, as of July 13, 2016, the lifting of the (i) tagging of LBC Express Development Corporation's 1,205,974,632 shares in the Company and (ii) garnishment of PLDT preferred shares of LBC Development Corporation.

In a Joint Resolution dated June 28, 2016, the court resolved to deny the Motion to Dismiss filed by LBC Express, Inc., as well as the other defendants. On July 18, 2016, LBC Express, Inc., together with the other defendants, filed motions for reconsideration of the Joint Resolution. In its Resolution dated February 16, 2017, the court resolved to deny the defendants' Motion for Reconsideration and directed the defendants to file their respective Answers within the remaining period.

On 24, April 2017, LBC Express Inc. and LBC Development Corporation filed a Petition for Certiorari with the Court of Appeals, assailing the Joint Resolution denying the motions to dismiss. The Petition for Certiorari is pending resolution with the Court of Appeals.

On April 10, 2017, the other defendants filed their respective Answers while LBC Express Inc. and LBCDC filed their Answer on April 11, 2017. Initially, the court issued a resolution dated June 15, 2017 declaring the LBC Express, Inc., LBC Development Corporation and the other defendants in default. On July 7, 2017, LBC Express, Inc., LBC Development Corporation and the other defendants filed their respective Verified Omnibus Motions for Reconsideration, to Lift the Order of Default, and to Suspend Proceedings, praying for the reversal of the order of default and the suspension of the proceedings pending such motion. The other defendants also filed an Urgent Motion for Inhibition. The court then issued a Joint Resolution dated July 20, 2017, lifting the order of default and admitting all of the Answers filed by the defendants, including LBC Express Inc. and LBCDC. The judge of Branch 143 also granted the urgent motion for inhibition and the case was re-raffled to Branch 142.

The PDIC filed a Motion for Reconsideration dated August 7, 2017 of the Joint Resolution. The defendants, including LBC Express Inc. and LBCDC, have filed oppositions and the said 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.

On or about September 3, 2018, PDIC motions to issue alias summons to five individual defendants, who were former officers and directors of LBC Bank. For reasons not explained by PDIC, it had failed to cause the service of summons upon five of the individual defendants and hence, the court had not acquired jurisdiction over them.

On October 26, 2018, the Motion to Defer Pre-Trial scheduled on November 15, 2018 was filed because the PDIC was still trying to serve summons on the five individual defendants and thus, for orderly proceedings, pre-trial should be deferred until the court acquires jurisdiction over them.

At the hearing held on November 9, 2018, which the PDIC did not attend, the judge directed PDIC's counsel to coordinate with the Sheriff and cause the service of summons promptly. The judge then

rescheduled the pre-trial to January 23, 2019. On November 21, 2018, comment from the PDIC was received, arguing that pre-trial can proceed, even without the presence of the five individuals because there are merely necessary parties to the case, and not indispensable parties.

As of early January 2019, the alias summons was served on only two of the individual defendants, in which they filed Motion to Dismiss on November 2018 and January 2019. The PDIC filed its comments thereto and both Motions to Dismiss were deemed submitted for resolution.

On January 18, 2019, PDIC filed a Pre-Trial Brief. LBCE and the other defendants, on January 21, 2019, filed a Motion, asking the RTC to direct the PDIC to explain in writing its compliance with the previous order to cause the service of summons on the remaining five individual defendants and to defer pre-trial until the court has acquired jurisdiction over them.

On January 23, 2019, the judge ordered the PDIC to file its comment to the Motion and rescheduled the pre-trial to February 21, 2019.

The PDIC filed a Comment with Motion to Declare Defendants in Default, arguing that the pre-trial should proceed and that the current defendants are just delaying the proceedings. The PDIC also explained its efforts to serve summons on the five individuals but admitted that it had only served summons of two of the individual defendants. The PDIC also stated that it is filing another motion for the issuance of another round of alias summons for the three remaining defendants.

On February 4, 2019, a Reply was filed arguing that: (a) the PDIC never explained the three-year delay in serving summons on the other defendants, (b) it is the PDIC's omission which have made the proceedings disorderly because not all of the defendants are at the pre-trial state, and (c) to avoid complications, the pre-trial should be deferred until the court has acquired jurisdiction over all defendants.

The court conducted a hearing on February 1, 2019 on the Motion to Declare Defendants in Default and granted time to submit comment thereto. A comment opposition was filed on February 11, 2019, arguing that there is no basis to consider the current defendants in default because they are appearing at every hearing and that there are pending motions citing just and valid reasons to defer pre-trial, considering that summons are still being served on some defendants. Emphasis was given in particular that once jurisdiction is acquired over individual defendants, they will file their own answers, raising their own defenses, which should be considered at pre-trial. Also, it is mandatory to refer them to mediation and JDR for possible amicable settlement of the entire case. Even if mediation and JDR fail, the current judge is required by procedural rules to raffle the case to another branch so that his judgment is not influenced by matters discussed during JDR.

On February 18, 2019, a Pre-Trial Brief was filed by LBCE and the other defendants, without prejudice to the defendants' pending motions to defer Pre-Trial.

At the hearing scheduled on February 21, 2019, the judge took note of all the pending motions and said that they are deemed submitted for resolution. In the meantime, the judge directed the parties to perform a pre-marking of all their documentary exhibits before the clerk of court. The judge then rescheduled Pre-Trial to March 28, 2019.

The PDIC has pre-marked its evidence during pre-marking conferences held on March 6 and 11 2019. LBCE started pre-marking its evidence on March 22, 2019 and will continue on April 10, 11 and 24, 2019.

LBCE was informed by the court staff that due to the order of Executive Judge for court records inventory and disposal, the pre-trial scheduled for March 28, 2019 will be reset to May 2, 2019

On March 6, 2019, LBCE and LBCDC received a copy of the Court of Appeals' Decision dated February 28, 2019, denying the Petition for Certiorari. The Court of Appeals ruled that the RTC correctly denied the motion to dismiss the civil case because the PDIC representative was sufficiently authorized to sign the verification and the PDIC does not need to secure prior approval of the liquidation court to file the case.

LBCE and LBCDC filed a motion for reconsideration last March 21, 2019, which is currently pending.

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 13. Acquisition or Disposition of Property

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the acquisition or disposition of any significant Company property.

Item 14. Restatement of Accounts

There are no actions or matters to be discussed in the Annual Stockholders' Meeting with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The following are to be submitted for approval during the Annual Stockholders' Meeting:

- (i) Minutes of the Annual Stockholders' Meeting held on 9 July 2018;
- (ii) President's Report based on the Annual Report and 2018 Audited Consolidated Financial Statements of the Company;
- (iii) Approval of the Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2018;
- (iv) Election of Directors, including Independent Directors;
- (v) Election/appointment of External Auditor;
- (vi) General ratification of all the acts and proceedings of the incumbent Board of Directors and Management from the date following the last annual stockholders' meeting which are covered by resolutions duly adopted in the normal course of trade or business such as:
 - a. Approval of the minutes of previous meetings;
 - b. Approval of the audited financial statements;
 - c. Changing of bank account signatories; and
 - d. Approval of the schedule, venue, and agenda of the Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 18. Other Proposed Actions

- (i) Election of the members of the Board of Directors, including independent directors, for the ensuing calendar year
- (ii) Reappointment of external auditors

- (iii) 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 and re-filing of the listing application with the Philippine Stock Exchange (as necessary)

Item 19. Voting Procedures

Manner of Voting

In all items for approval, except in the election of directors, each share of stock entitles its registered owner to one vote.

For the purpose of electing directors, a stockholder may vote such number of his shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them in the same principle among as many candidates as he shall see fit.

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies.

Vote Required

With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

With respect to the adoption of the Audited Financial Statements for the year ended 31 December 2018, approval of minutes of the annual stockholders' meeting held on 9 July 2018, the approval of the President's Report, election of the members of the Board of Directors, including independent directors, for the ensuing calendar year, and reappointment of external auditors, the approval or ratification of the other actions set forth under item no. (vi) above, as well as the approval of the corporate guaranty of the Corporation, the vote of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

With respect to the approval for the refiling of the 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 and re-filing of the listing application with the Philippine Stock Exchange (as necessary), the approval or ratification of majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method

The Corporate Secretary will be responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the stockholders.

Unless required by law, or demanded by a stockholder present or represented at the meeting and entitled to vote thereat, voting need not be by ballot and will be done by show of hands.

UNDERTAKING

UPON WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. SUCH WRITTEN REQUEST SHOULD BE ADDRESSED TO:

THE OFFICE OF THE CORPORATE SECRETARY
Penthouse, Liberty Center,
104 H.V. dela Costa Street,
Salcedo Village, Makati City

UNDERTAKING

WE UNDERTAKE TO FURNISH THE STOCKHOLDERS DURING THE ANNUAL STOCKHOLDERS' MEETING ON 29 JULY 2019 A COPY OF THE COMPANY'S QUARTERLY REPORT ON SEC FORM 17-Q FOR THE QUARTER ENDED 31 MARCH 2019.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on MAY 28 2019

LBC EXPRESS HOLDINGS, INC.

By:



MIGUEL ANGEL A. CAMAHORT

President

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **SOLITA V. DELANTAR**, Filipino, of legal age, and a resident of 7818 Neachwood Street, Gemblock, Phase 2, Marcelo Green Village, Parañaque City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation") and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
PICPA – Integrity Initiative Advocacy Committee	Member	July 2015 to July 2016
PMAF Council of Past Presidents	Member	1995-present
Girl Scouts of the Philippines Foundation, Inc.	President	2010 to 2012
	Treasurer	2013 to 2015
Anchor Land Holdings, Inc.	Independent Director	2007 to 2015
Ponticelli, Inc.	Vice President	2006 to 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 28 MAY 2019 in Makati City.


SOLITA V. DELANTAR
Affiant

SUBSCRIBED AND SWORN to before me this 28 MAY 2019 in
CITY OF MANILA, affiant exhibiting to me his SSS no. 03-131104-2 issued on
_____ at _____ and expiring on _____.

Doc. No. 140;
Page No. 28;
Book No. III;
Series of 2019.

ATTY. MICHAEL A. AN
NOTARY PUBLIC
COMMISSION NO. 2016-299 UNTIL DECEMBER 2019
ROLL OF ATTORNEY NO. 58317
PTR NO. 8053331 / MANILA / 01-10-19
IIP NO. 057891 / MANILA / 01-08-19
MOR. NO. 5045252 / 04-08-16
718 P. O. BOX 125 ST. INTRAMUROS, MANILA

ANNEX "A-1"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **LUIS N. YU, JR.**, Filipino, of legal age, and a resident of 2nd Floor, PGMC Building, 76 Calbayog Street, Mandaluyong City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation") and have been its independent director since 2014.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
8990 Holdings, Inc.	Chairman Emeritus and Director	2012 to present
IHoldings, Inc.	Chairman Emeritus and Director	2012 to present
8990 Cebu Housing Development Corporation	Chairman and Director	2009 to present
8990 Visayas Housing Development Corporation	Chairman and Director	2009 to present
8990 Davao Housing Development Corporation	Chairman and Director	2009 to present
8990 Mindanao Housing Development Corporation	Chairman and Director	2009 to present
8990 Iloilo Housing Development Corporation	Chairman and Director	2009 to present
8990 Luzon Housing Development Corporation	Chairman and Director	2009 to present
8990 Housing Development Corporation	Chairman and Director	2006 to present
Ceres Homes, Inc.	Chairman and Director	2002 to present
N&S Homes, Inc.	Chairman and Director	1998 to present
L&D Realty Holdings, Inc.	Chairman and Director	1998 to present
DECA Housing Corporation	President and Director	1995 to present
Fog Horn	Chairman and Director	1994 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 28 MAY 2019 in Makati City.


LUIS N. YU, JR.
Affiant

28 MAY 2019

Makas **SUBSCRIBED AND SWORN** to before me this 28 MAY 2019 in
affiant exhibiting to me his Unicef Multi-purpose GR: No. 011 500 7871-6
at _____ and expiring on _____.

Doc. No. 191 ;
Page No. 40 ;
Book No. 11 ;
Series of 2019.


FRANCES ALYSSA U. SANTOS
Appointment No. M-514
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. Dala Costa Street, Makati City
Roll No. 72070
PTR No. 7339300/Makati City/01-06-2019
IBP No. 060470/Makati City/01-03-2019
MCLE Compliance No. VI-0020979/3-26-2019

ANNEX "A-2"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANTHONY A. ABAD**, Filipino, of legal age, and a resident of 2 Balmori Street, San Lorenzo Village, Makati City after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of LBC Express Holdings, Inc. (the "Corporation") and have been its independent director since 2017.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
TRADEADVISORS	CEO and Managing Director	2005-present
ABAD I ALCANTARA I ASSOCIATES (TradeLawyers)	Partner	2014-present
WORLD TRADE ORGANIZATION (WTO/OMC)	Panelist, Dispute Settlement Panel	2011-present
BLOOMBERG TV PHILIPPINES	Anchor/Host	2015-present
ATENEO CENTER FOR INTERNATIONAL ECONOMIC LAW (ACEL)	Director	2006-present
ATENEO DE MANILA UNIVERSITY	Professor	1998-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
6. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.



Done this 28 MAY 2019 in Makati City.


ANTHONY A. ABAD
Director
Affiant

SUBSCRIBED AND SWORN to before me this 28 MAY 2019 in
CITY OF MANILA, affiant exhibiting to me his Passport no. P4211923A issued on
30 Aug 2013 at DFA Manila and expiring on 29 Aug 2022.

Doc. No. 142;
Page No. 29;
Book No. III;
Series of 2019.


ATTY. MICHAEL JOBERT M. MAPASIGAN
NOTARY PUBLIC FOR CITY OF MANILA
COMMISSION NO. 2018-059 UNTIL DECEMBER 2019
ROLL OF ATTORNEY NO. 58317
PTR NO. 8053331 / MANILA / 01-10-19
IBP NO. 061391 / MANILA / 01-08-19
MCLE NO. V-0018338 / 04-08-18
716 MAGALLANES ST., INTRAMUROS, MANILA

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S

SECRETARY'S CERTIFICATE

I, **MAHLEENE G. GO**, Filipino, of legal age, with office address at the Penthouse, Liberty Center, 104 H.V. Dela Costa Street, Salcedo Village, Makati City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the incumbent Assistant Corporate Secretary of **LBC EXPRESS HOLDINGS, INC.** (hereinafter the "Corporation"), a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with office located at LBC Hangar, General Aviation Center, Domestic Airport Road, Pasay City, Metro Manila, Philippines.

2. Based on the respective certifications of the directors and officers of the Corporation, as well as the records of the Corporation presently in my custody, none of the directors or officers of the Corporation holds any position in any capacity in any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto set my hand this MAY 28 2019 in Makati City, Metro Manila.



MAHLEENE G. GO
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 28 2019 in Makati City, affiant exhibiting to me her Passport No. P8881940A issued on September 25, 2018 at DFA NCR East.

Doc. No. 61 ;
Page No. 14 ;
Book No. V ;
Series of 2019.



ERNESTO C. NAVAL III
Appointment No. M-520
Notary Public for Makati City
Until December 31, 2019
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
Roll No. 72134
PTR No. 7339301/Makati City/01-06-2019
IBP No. 060471/Makati City/01-03-2019
MCLE Compliance No. VI-0019659/3-26-2019

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

DESCRIPTION OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Company and its subsidiaries (the “Group”) service revenues, cost of services, gross profit, net income and other income line items for the periods indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

For the year ended December 31, 2018 compared with the year ended December 31, 2017

Service Revenues

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

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

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

Cost of Services

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

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

Gross Profit

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

Operating Expenses

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

- Salaries and wages expenses increased by 27% or ₱135.0 million, relative to an annual appraisal resulting from inflation, and the implementation of TRAIN Law which increased fringe benefit tax rate from 32% to 35%.
- Advertising and promotion expenses also contributed to the operating expense increase, as it grew by 88% or ₱148.1 million, mainly from parallel increases in production costs, television and radio advertisements, as well as costs for digital/online campaigns.

- Provision for impairment losses increased by ₱66.9 million, mainly due to the adoption of the new standard, PFRS 9, which requires recording an allowance for impairment loss for all loans and other debt financial assets not held at fair value at profit and loss. This resulted to the additional provision from the change in forecast and model assumptions.
- Dues and subscriptions were also higher by ₱32.8 million, primarily attributable to a Cloud Subscription Fee incurred for the year ended December 31, 2018. This Cloud Subscription, with a contract effective as of August 2017, replaces the maintenance costs; thus, a decline of 25% in the latter account.
- Commission expense, which is mostly related to agents from international subsidiaries, increased by ₱26.9 million this year.

Other Income, Net

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

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

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

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

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

Net income after tax

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

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

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

Service Revenues

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

Logistics

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

Cost of Services

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

Gross Profit

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

Operating Expenses

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

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

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

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

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

Other Income, Net

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

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

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

Income before Income Tax

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

Income Tax Expense

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

Net Income for the Year

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31

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

As of December 31

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

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

As of December 31, 2018 compared to as of December 31, 2017***Assets******Current Assets***

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

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

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

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

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

Non-current Assets

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

Intangibles, net is higher by 56% to ₱555.4 million as of December 31, 2018 from ₱356.9 million as of December 31, 2017, mostly from the software of the acquired entity engaged in online logistics with net book value amounting to ₱198.2 million as of December 31, 2018. In addition, the LBC Express acquired web filtering software amounting to ₱15.2 million, on an interest bearing payment arrangement over 18 months.

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

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

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

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Assets

Current Assets

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

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

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

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

Prepayments and other current assets increased by 15% to ₱446.1 million as at December 31, 2017 from ₱388.1 million as at December 31, 2016 mainly because of higher advance rental by ₱21.8 million resulting from additional Philippines branches (2017: 1,321 vs 2016: 1,249). Input VAT also increased by ₱23.9 million. These increases are offset by decrease in marketable securities by ₱11.0 million. This is classified as “other current assets” since the maturity is more than three months.

Non-current Assets

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

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

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

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

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

Liabilities

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

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

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

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Cash Flows

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

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

Years ended December 31, 2018 and December 31, 2017

Cash flows from operating activities

The Group's net cash from operating activities is primarily affected by income before income tax, depreciation and amortization, unrealized foreign exchange gain, retirement benefit expense, interest income and expense, loss on derivatives, unrealized fair value gain from investments through profit and loss, share in equity of net earnings of an associate and, changes in working capital. The Group's net cash from operating activities were P1,616.8 million, and P1,386.3 million for the year ended December 31, 2018 and 2017, respectively.

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

Cash flows from investing activities

Cash flow used in investing activities for the years ended December 31, 2018 and 2017 were P910.5 million and P834.6 million, respectively. Major activities for the year included:

- o Business combination in 2018, in which the net cash payment (net of cash acquired) amounted to P43.4 million for all acquired subsidiaries. Settlement related to investment in associate amounted to P218.3 million.

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

Cash flow from financing activities

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

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

Years ended December 31, 2017 and December 31, 2016

Cash flow from operating activities

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

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

Cash flows from investing activities

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

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

Cash flow from financing activities

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

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

CAPITAL EXPENDITURES

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

For the years ended December 31

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

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

KEY PERFORMANCE INDICATORS

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

Financial Key Performance Indicators

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

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

Notes:

- (1) Operating income is calculated as income before income tax, interest expense-net and income (expense) related to convertible bonds.
- (2) EBITDA is calculated as income before income tax plus depreciation and amortization and interest expense-net. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Group's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Group's presentation of this measure may not be comparable to similarly titled measures used by other companies.
- (3) EBITDA as a percentage of service revenues.
- (4) Net income before other comprehensive income.
- (5) Net income as a percentage of service revenues.
- (6) Total debt includes notes payable (current and non-current portion), lease liabilities (current and non-current, excluding deferred lease liability from PAS 17 adjustment), convertible instrument and other liabilities (including current portion presented under Accounts Payable).
- (7) Calculated as total cash and cash equivalents less total debt.

FINANCIAL RATIOS

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

Notes:

- (1) Average assets is Total Assets at the beginning of the period plus Total Assets at the end of the period, divided by two.
- (2) Basic and diluted earnings/(Loss) per share are the same for 2016 and 2017. Diluted earnings/(loss) per share for 2018 is ₹0.68.

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DEBT OBLIGATIONS AND FACILITIES

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

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

FINANCIAL RISK DISCLOSURE

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

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

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

Foreign Exchange Rate Risk

¹ The calculation of these financial ratios are not the same with the manner of calculation of the Company's key performance indicators.

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

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

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Price Risk

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

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

SEASONALITY

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

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