LBC Express Holdings, Inc.

(incorporated in the Republic of the Philippines)

Primary Offer of up to 10,000,000 Common Shares
and Secondary Offer of up to 59,101,000 Common Shares

Offer Price of up to ₱17.00 per Offer Share

to be listed and traded on the Main Board of The Philippine Stock Exchange, Inc.

Sole Underwriter

PHILIPPINE COMMERCIAL CAPITAL, INC.

The date of this Prospectus is 8 March 2017

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION.

LBC Express Holdings, Inc.
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Pasay City, Metro Manila, Philippines
Telephone Number: +632-856-8510
Fax Number: +632-851-9759
Corporate Website: www.lbcexpressholdings.com

This Prospectus relates to the offer and sale of up to 69,101,000 common shares at an Offer Price (as defined below) of up to ₱17.00 (the "Offer Shares"), with a par value of ₱1.00 per share (the "Common Shares"), of LBC Express Holdings, Inc., a corporation organized under Philippine law (the "Issuer" or the "Company"). The Offer Shares will comprise of 10,000,000 new Common Shares to be issued and offered by the Company by way of a primary offer (the "Primary Offer Shares"), and of 59,101,000 existing Common Shares offered by LBC Development Corporation (the "Selling Shareholder') pursuant to a secondary offer (the "Secondary Offer Shares"). The trading symbol of the Company is "LBC." The offer of the Offer Shares is referred to as the "Offer." See "Plan of Distribution" on page 189 and "Use of Proceeds" on page 56 of this Prospectus.

Pursuant to its articles of incorporation as amended on October 12, 2015, the Company has an authorized amount of capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with a par value of ₱1.00 per share, of which 1,425,865,471 Common Shares are issued and outstanding as of the date of this Prospectus. The Offer Shares shall be Common Shares of the Company.

The Offer Shares shall be offered at a price of up to ₱17.00 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 60 of this Prospectus. A total of up to 1,435,865,471 Common Shares will be outstanding after the Offer.

Assuming the maximum offer price of ₱17.00, the total proceeds to be raised by the Company from the sale of the Primary Offer Shares will be ₱170.0 million. Assuming the maximum offer price of ₱17.00, the estimated net proceeds to be raised by the Company from the sale of the Primary Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱40.5 million) will be approximately ₱129.5 million. Assuming the maximum offer price of ₱17.00, the total proceeds to be raised by the Selling Shareholder from the sale of the Secondary Offer Shares will be ₱1.004 billion. Assuming the maximum offer price of ₱17.00, the estimated net proceeds to be raised by the Selling Shareholder from the sale of the Secondary Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱24.4 million) will be approximately ₱979.6 million. The Company intends to use the proceeds it receives from the Offer to finance strategic acquisitions and organic expansion, as well as for general corporate purposes. The Selling Shareholder intends to use the proceeds it receives from the Offer for general corporate purposes. For a more detailed discussion on the proceeds from the Offer and the Selling Shareholder's proposed use of proceeds, please see "Use of Proceeds" beginning on page 56 of this Prospectus.

The Sole Underwriter (as defined below) will receive a transaction fee from the Company equivalent to 2.5% of the gross proceeds from the sale of the Offer Shares (as defined below). These are inclusive of the amounts to be paid to other participating underwriters and selling agents, where applicable. Any Offer Shares left unsubscribed after the Offer Period will be underwritten, on a firm commitment basis, by the Sole Underwriter. For a more detailed discussion on the fees to be received by the Sole Underwriter, see "Plan of Distribution" beginning on page 189 of this Prospectus.

Each holder of the Shares will be entitled to such dividends as may be declared by our Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of our total outstanding capital stock, which refers to the total shares of stock subscribed by, under binding subscription agreement with, subscribers or stockholders, whether paid in full or not, except treasury shares. The Company has adopted a dividend policy to distribute to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the Board of Directors of the Company, in the form of stock and/or cash dividends, subject always to: (a) all requirements of the Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders; (b) any banking or other funding covenants by which the Company is bound from time to time; and (c) the operating and expansion requirements of the Company as mentioned above. See "Dividends and Dividend Policy" on page 58 of this Prospectus.

Up to 1,820,200 of the Offer Shares (or 20.0% of the Offer Shares) (the "Trading Participants Shares") are being offered and sold by the Sole Underwriter at the Offer Price in the Philippines to all of the trading participants of the PSE (the "PSE Trading Participants" or "Selling Agents"). Details regarding the commission to be received by the Sole Underwriter can be found under "Plan of Distribution." Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the PSE Trading Participants shall be distributed by the Sole Underwriter to its clients or to the general public. Offer Shares not taken up by the PSE Trading Participants and the Sole Underwriter's clients or the general public shall be purchased by the Sole Underwriter. See "Plan of Distribution" on Page 189 of this Prospectus.

Up to 55,280,800 of the Offer Shares (or 80.0% of the Offer Shares) (the "Institutional Offer Shares") are being offered and sold by the Sole Underwriter to certain qualified buyers in the Philippines (the "Institutional Offer"). Any Institutional Offer Shares allocated to certain qualified buyers within the Philippines may be re-allocated to the PSE Trading Participants for distribution by the Sole Underwriter, based on mutual agreement between the Sole Underwriter and the Company.

All of the Common Shares issued and to be issued pursuant to the Offer have identical rights and privileges. The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Because the Company, through its subsidiary LBC Express, Inc., is engaged in air freight forwarding and private express and messengerial delivery services, its foreign shareholdings may not exceed 40% of its issued and outstanding capital stock entitled to vote in the election of directors, and 40% of its total issued and outstanding capital stock, whether or not entitled to vote in the election of directors. See "Philippine Foreign Exchange and Foreign Ownership Controls" on page 187 of this Prospectus.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

- risks relating to the Company's business;
- risks relating to the Philippines;
- risks relating to the Offer and the Offer Shares; and
- risks relating to certain statistical information in this Prospectus.

Please refer to the section entitled "Risk Factors" beginning on page 31 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

An application for listing of the Common Shares was approved on [●] by the board of directors of the PSE, subject to the fulfillment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Moreover, the Securities and Exchange Commission (the "SEC") has issued its pre-effective clearance and permit to sell securities on [●] and [●], respectively. Such approvals are permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or the SEC.

An application has been made to the SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines or Republic Act No. 8799) (the "SRC").

A REGISTRATION STATEMENT RELATING TO THE OFFER SHARES HAS BEEN FILED WITH THE SEC BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE OFFER SHARES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OFFER SHARES.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to its right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the Philippine Depository and Trust Corporation (the "PDTC") on or about [●].

By:

Miguel Angel A. Camahort
President

SUBSCRIBED AND SWORN TO before me this _____________ 2017 at ____________ City, Metro Manila affiant exhibited to me his Philippine Passport No. EB99738715 issued on 11 January 2014 by the Department of Foreign Affairs.

Doc. No.______;
Page No.______;
Book No.______;
Series of 2017.

No representation or warranty, express or implied, is made by the Company and the Sole Underwriter regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

Certain statistical information and forecasts in this Prospectus relating to the Philippines and other data used in this Prospectus were obtained or derived from internal surveys, industry forecasts, market research, governmental data, publicly available information and/or industry reports included in the section entitled “Industry.” The data relating to the Philippine logistics market was obtained from Transport Intelligence Ltd. (“Transport Intelligence”), an independent research firm, and was included for the purpose of expressing the Company’s share of the logistics market and for describing the Philippine logistics market generally. The data relating to the Philippine remittance market was obtained from Ken Research Private Ltd. (“Ken Research”), an independent research firm, and was included for the purpose of providing investors with an overview of the Philippine remittance market. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts, market research, governmental data, publicly available information and/or industry publications have not been independently verified by the Company or the Sole Underwriter and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Conventions which apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the “Company” are to LBC Express Holdings, Inc., its subsidiary LBC Express, Inc. and the subsidiaries of the latter on a consolidated basis. However, references to the “Company”, when used in the context prior to the Corporate Reorganization, are to Federal Resources Investment Group, Inc. All references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” are to the national government of the Philippines. All references to the “BSP” are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to “Philippine Peso,” “Pesos” and “₱” are to the lawful currency of the Philippines, and all references to “U.S. dollars” and “U.S.$” are to the lawful currency of the United States. The Company publishes its financial statements in Pesos.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Presentation of Financial Information

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards and Philippine Interpretations from International Financial Reporting Interpretations Committee.

The financial information for the Company as of and for the years ended December 31, 2013, 2014 and 2015 represent the accounts of the Company on a consolidated basis after the Corporate Reorganization. Unless otherwise stated, all financial information relating to the Company contained herein is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's calendar year begins on January 1 and ends on December 31 of each year. LBC Express, Inc. and its Subsidiaries' fiscal year begins on December 1 and ends on November 30 of each year. SGV &Co., *a member firm of Ernst & Young Global Limited*, has audited and rendered an unqualified audit report on the consolidated financial statements of LBC Express Holdings, Inc. and its Subsidiaries as of and for the years ended December 31, 2014 and 2015, which are included elsewhere in this Prospectus.

Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to anticipate and respond to market trends;
- the Company's ability to successfully manage its future business, financial condition, results of operations and cash flow;
- the Company's ability to maintain relationships with third party providers of sea and air transport;

- the Company's ability to maintain existing and establish new relationships with domestic and international remittance agents;
- the Company's ability to remain up-to-date in its IT infrastructure and other processes;
- the Company's ability to successfully integrate any company it acquires;
- changes to the laws, regulations and policies applicable to or affecting the Company;
- general political, social and economic conditions in the Philippines;
- any future political instability in the Philippines;
- geopolitical dynamics involving the Philippines and/or any of the countries in which the Company's branches, affiliates and agents are located;
- the condition of and changes in the Philippine, Asian or global economies;
- changes in interest rates, inflation rates and the value of the Peso against the U.S. dollar and other currencies;
- competition in the Philippine domestic and international inbound logistics and/or remittance industries;
- legal or regulatory proceedings in which the Company is or may become involved; and
- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Sole Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

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GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

AML	anti-money laundering
AMLA	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
Balikbayan Boxes	boxes used by retail customers to send personal effects to friends and family, domestically and internationally, typically by way of sea transport
Bayad	CIS Bayad Center, Inc., a company operating in the outsourced payment collection industry, which has historically provided payment access for more than 20 million customers of 133 major billers
Board of Directors or Board	the board of Directors of the Company
BSP	*Bangko Sentral ng Pilipinas*, the central bank of the Philippines
CAB or Civil Aeronautics Board	the Philippine Civil Aeronautics Board
CAGR	compound annual growth rate
cargo	boxes or other packages of goods transported by air, ship or ground, typically weighing more than three kilograms
Central Exchange	the primary distribution center located in the General Aviation Center of the Old Domestic Airport, in which all parcels and cargo collected from, passing through or destined for Metro Manila is sorted and re-routed
Common Shares	common shares of the Company of par value ₱1.00 per share
the Company	LBC Express Holdings, Inc., a company incorporated with limited liability in the Philippines; references to the Company include references to its subsidiary LBC Express, Inc., unless the context otherwise requires; however, references to the Company, when used in the context prior to the Corporate Reorganization, are to Federal Resources Investment Group, Inc.
Congress	the Congress of the Philippines, which includes the House of Representatives and the Senate
Corporate Reorganization	a series of transactions involving the Company and its former shareholders, LBC Development Corporation, and LBC Express, Inc. whereby, among other things, (i) LBC Development Corporation initially acquired 59.1% interest in the Company by subscribing to all of the unissued capital stock thereof, (ii) the Company increased its authorized capital stock with LBC Development Corporation subscribing to

	additional shares of the Company out of, and following, such increase in capital, as a result of which LBC Development Corporation's ownership interest in the Company increased to 84.57% and (iii) the Company acquired all of the outstanding shares of stock in LBC Express, Inc.; see "Business – History and Corporate Reorganization – Corporate Reorganization" on page 87 of this Prospectus.
Corporation Code	*Batas Pambansa Blg. 68*, also known as the Corporation Code of the Philippines
delivery hub	a smaller version of a distribution center where parcels and cargo are aggregated for secondary sorting and onward forwarding to their final destinations
distribution center	a warehouse, hangar or other building located near an airport or a seaport where parcels and air cargo are aggregated for sorting by employees
domestic remittance	remittance transaction wherein both sender and beneficiary are located within the Philippines
EBITDA	operating income plus depreciation and amortization plus write-offs of assets / (liabilities), net
E-commerce	electronic commerce
Eligible Investors	see "Summary of the Offer – Eligible Investors" on page 19 of this Prospectus.
ETF	Exchange Traded Fund
FCL	full container load
freight	goods (including parcels and cargo) transported by land, air or sea
GDP	gross domestic product
Government	the national government of the Republic of the Philippines
INCA	integrated cargo application
international inbound remittance	remittance transaction wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines
IRO	Investor Relations Officer
IT	information technology
KYC	"Know-Your-Customer"
LBC Development Corporation	LBC Development Corporation, a company incorporated with limited liability in the Philippines, the single largest stockholder of the Company and, prior to the Corporate Reorganization, the parent company of LBC Express, Inc.
LBC Bank	LBC Development Bank, Inc., a company incorporated with limited liability in the Philippines and formerly an affiliate of LBC Express, Inc.

LBC Express, Inc.	LBC Express, Inc., a company incorporated with limited liability in the Philippines, including its subsidiaries
LBC Marks	all "LBC" branded trademarks, logos and slogans licensed by LBC Development Corporation to the Company
LCL	less-than-container load
LISBON Survey	a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm
Listing Date	the date of listing and when trading of the [Primary] Offer Shares commences on the PSE which is expected to be on [•]
Logistics	one of the Company's two primary business segments, which includes courier, freight forwarding and other logistics solutions for retail and corporate customers
Metrobank	Metropolitan Bank & Trust Company
MIAA	Manila International Airport Authority
money laundering	conduct or acts designed in whole or in part to conceal or disguise the nature, location, source, ownership, movement or control of money or assets, so as to make the money or assets appear to have originated from a legitimate source; specifically, in the Philippines, money laundering is defined by Section 4 of Republic Act No. 9160, as amended
Money Transfer Services	one of the Company's two primary business segments, which includes remittance (domestic and international) and bill payments collection services
MPO	minimum public ownership
NIRC	National Internal Revenue Code of the Philippines, as amended
NVOCC	non-vessel operating common carrier, a shipment consolidator or a freight forwarder that does not own any vessel, but functions as a carrier by issuing its own bills of lading or air way bills (industry-standard shipping documents detailing the title, type, quantity and destination of the goods shipped), and assuming responsibility of the shipment
Offer	the offer and sale of the Offer Shares
Offer Price	up to ₱17.00 per Offer Share
Offer Shares	the Primary Offer Shares and the Secondary Offer Shares
OFAC	the United States Treasury Department's Office of Foreign Assets Control
OFW(s)	overseas Filipino worker(s)

OHL	OHL (S) Pte. Ltd., a global supply chain management company that provides ocean and air freight, transportation management and warehousing services
Palawan Pawnshop	the trade name of Eight Under Par, Inc., a company engaged in the pawning business and the Company’s local remittance fulfillment partner
parcels	letters and small packages, typically weighing three kilograms or less
PDIC	Philippine Deposit Insurance Corporation
PDTC	Philippine Depositary & Trust Corporation
PFRS	Philippine Financial Reporting Standards
Philippine Constitution	also known as the 1987 Constitution, the supreme law of the Republic of the Philippines
POS	technology that the Company uses for courier, air cargo and remittance acceptances
Primary Offer Shares	10,000,000 new Common Shares to be issued and offered by the Company
PSA	Philippine Standards on Auditing
PSB	Philippine Shippers’ Bureau
PSE	The Philippine Stock Exchange, Inc.
PSE Trading Participants	the trading participants of the PSE in the Philippines
put-to-light	a technology for sorting mail or inventory whereby lights are used to guide operators to the correct sorting bin or area in which to “put” the item after the item’s barcode has been scanned
R.A.	Republic Act, which refers to a statute enacted by the Philippine Government
RCBC	Rizal Commercial Banking Corporation
SAP	refers to SAP AG, the Company’s provider of business software
SEC	Securities and Exchange Commission
Secondary Offer Shares	59,101,000 existing Common Shares to be offered by LBC Development Corporation
SCS or Specialized Corporate Solutions	the end-to-end tailored logistics services provided by the Company to corporate clients with specific requirements
Senate	the Senate of the Philippines, one of the two houses of the Congress

sq. m.	square meter
SSS	the Republic of the Philippines Social Security System
TEU	twenty-foot equivalent unit
unbanked	describing the demographic of individuals who do not hold savings or deposit accounts in traditional banking and financial institutions
VISTRA	an end-to-end unified online proprietary client application that aims to incorporate current POS and INCA technologies
volumetric weight	a calculation reflecting the density of a shipment, taking into account both actual weight and dimensions

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited financial statements and related notes included elsewhere in this Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms," "Risk Factors," "Business" or elsewhere in this Prospectus.

Overview

The Company is a leading provider of courier and freight forwarding services, as well as a leading non-bank provider of domestic remittance services and inbound international remittance services in the Philippines. Throughout the Company's over 60-year operating history, the "LBC" brand and logo have come to be recognized by Filipinos living domestically and overseas to represent the Company's track record for reliable, timely and far-reaching services. Leveraging its brand equity, experience and wide distribution network, the Company had the largest market share in the domestic air freight forwarding business in the calendar years 2011 and 2012. The Company believes that it has been the top importer of Balikbayan Boxes in terms of throughput for the past 20 years. According to Ken Research, the Company is one of the top five non-bank providers of domestic remittance services by remittance volume as well as one of the top five non-bank providers of international inbound remittances in the Philippines by remittance volume in calendar year 2012.

The Company's two main operating segments comprise (a) Logistics; and (b) Money Transfer Services.

Logistics is the Company's primary revenue driver, accounting for 78%, 80%, 82% and 86% respectively, of the Company's service revenue for the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016. The Company's Logistics products are geared toward both retail and corporate clients, who accounted for 66% and 34%, respectively, of the Company's total service revenue from the Logistics segment in the period ended September 30, 2016. The main services offered under the Company's Logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport). In addition, the Company also provides a host of specialized, value-added logistics solutions such as integrated logistics, supply chain management and other tailored logistics solutions. To carry out its Logistics operations, the Company utilizes its domestic fleet of approximately 1,764 vehicles (including approximately 1,205 motorcycles and approximately 559 vans as of September 30, 2016) for ground transport in the Philippines and contracts with various domestic and international airline carriers and shipping companies for air and sea cargo transport. As of September 30, 2016, the Company offered Logistics services at all of its 1,231 Company-owned branch locations within the Philippines, as well as to and from 22 other countries and territories in which it had branch offices and affiliates or agents. To complement its Logistics offerings, the Company also offers additional specialized services such as warehousing and packaging services, among others.

Money Transfer Services, the Company's other main business segment, accounted for the remaining 22%, 20%, 18% and 14% of the Company's service revenue for the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016 respectively. The Money Transfer Services segment involves both domestic and international services. Domestic Money Transfer Services comprise (a) domestic remittance services (including branch retail services, pre-paid remittance cards and online and mobile remit); and (b) bills payment collection and corporate remittance payout services. International Money Transfer Services comprises international inbound remittance services. The Company leverages the branch network and delivery fleet for its Logistics business as a platform for its remittance services. It also contracts with remittance fulfillment agents domestically and internationally to expand its network. See "Business – Money Transfer Services – Remittances – Infrastructure" on page 102 of this Prospectus. The Company's remittance services are targeted primarily at retail customers that may lack access to traditional banking institutions, whether because they are geographically removed or because they are not bank account holders. Its bills payment collection services enable customers to pay their bills for a variety of vendors, such as utilities companies, publications, insurance companies and others, while its corporate remittance payout services enable customers of various insurance companies and employees of certain companies to receive benefits and salary payouts, at any domestic Company-owned branch. As of September 30, 2016, the Company's Money Transfer Services were available at each of its 1,231 Company-owned domestic branch locations. Its remittance encashment services were also available at an additional 2,000+ branches (as of September 20, 2016) of Palawan Pawnshop, the Company's local remittance fulfillment partner. As of September 30, 2016, the Company also processed international inbound remittances originating from over 22 other countries and territories in which it had branch offices, affiliates and/or agents (including extended networks of the Company's agents).

Competitive Strengths

The Company considers the following to be its principal competitive strengths:

Leading provider of express courier services in the Philippines with an extensive domestic network and broad global reach

The Company is a leading provider of express courier services to retail consumers in the Philippines, offering a reliable, convenient and cost-effective alternative to the Government-owned and operated postal service. For the year ended December 31, 2012, the Company was the market leader in air freight forwarding in the Philippines in terms of tonnage with a 41.8% market share, according to data from the CAB. In 2012, the Company was also a leader in the transport of Balikbayan Boxes, with a 22% market share in terms of units transferred, according to Transport Intelligence. The Company's services are accessible to retail clients through its expansive domestic distribution network which, as of December 31, 2015, comprised 1,231 Company-owned branch offices covering nearly 30,000, or approximately 70% of the total number of, barangays (most basic administrative divisions) in the Philippines. According to Transport Intelligence, as of December 31, 2013, the Company's domestic branch network was approximately four times as large as that of its nearest logistics competitor in terms of number of service outlets. See "Business – Competition" on page 108 of this Prospectus. In addition, the Company's domestic fleet of 1,205 motorcycles and 559 vans (as of September 30, 2016) enables the convenience of the door-to-door pick-up service that has become a hallmark of the Company's value-added offerings. The Company's network also provides coverage in key international markets with significant OFW presence, making its services attractive for both domestic and overseas Filipinos. The Company believes that, with its established platform and market position in the retail logistics industry, it will benefit significantly from the positive growth prospects of the Philippine domestic economy and private consumption in the coming years, and it seeks to continue growing its core retail Logistics business, while at the same expanding its corporate logistics offerings and its Money Transfer Services business.

Iconic brand in the Philippines widely recognized for reliability, efficiency and service excellence with an over 60-year operating history

The Company believes that the strength of "LBC" brand is one of its key competitive advantages. The "LBC" brand has gained significant recognition in the Philippines and among OFWs throughout the Company's over 60-year operating history. As the first Filipino-owned company to provide time-sensitive courier and cargo delivery services and the pioneer in 24-hour door-to-door delivery services in the Philippines, the Company has a long-established reputation for being a trustworthy and dependable provider of on-time deliveries of important goods and documents. Today, the Company believes that the "LBC" brand has become synonymous with top quality service. When the Company expanded into the remittance business in the early 1980s, the brand equity and goodwill of the trusted "LBC" brand contributed to the success of this new business. In addition to its extensive geographic reach and marketing efforts, the Company's dedication to efficiency, reliability and general service excellence has earned it considerable goodwill and trust from its customers. The "LBC" brand was one of Reader's Digest's Trusted Brand Winners – Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, the Company was considered one of the Best-in-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012. According to the LISBON Survey, in 2012, the Company achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. To keep up with growing expectations of customers, the Company continues to set challenging targets for itself in terms of delivery efficiency and customer satisfaction, as well as goals for further improving its image and brand.

Highly scalable business operations with nationwide distribution network and robust IT infrastructure

The Company's Logistics and Money Transfer Services businesses are both highly scalable, making use of an integrated platform to provide complementary services that accommodate a broad range of clients, geographies and needs. Shared resources and services between the Logistics and Money Transfer Services segments have provided the Company with economies of scale that might not otherwise be attainable for companies focusing on only one or the other of the Company's two business segments. For example, the extensive domestic branch network, delivery vehicle fleet, IT infrastructure, trained workforce and readily available cash from the Company's original Logistics business enabled the Company to seamlessly enter into the money remittance industry at low marginal cost in the early 1980s. With the same infrastructure and acquired know-how, the Company has also been able to expand into corporate logistics and offer additional money transfer services with low start-up costs and relative ease. The Company believes that its current distribution facilities, warehouses and delivery vehicles are not yet at full utilization and that there remains significant potential to scale its business even with the existing infrastructure it has in place. In addition, the Company's integrated IT system and model of leasing rather than purchasing branch properties has enabled and will continue to enable it to grow its distribution network rapidly, which is key for competitive positioning and effective delivery of quality service in all its business segments.

The Company also believes that its robust IT systems and increasing degree of automation ensure efficient operations and concurrently contribute to an optimal cost structure for its business. See "Business – Information Technology" on page 106 of this Prospectus. Customers benefit directly from the Company's state-of-the-art IT infrastructure in the form of real-time status updates on forwarded parcels or cargo, as well as reduced processing time.

Leading provider of remittance services to both domestic and overseas unbanked Filipino population providing value-added services to customers with the significant synergies with its core Logistics services

The Company believes that it is a leading non-bank Philippine provider of domestic and international inbound remittance services. Leveraging its existing platform of 1,231 Company-owned domestic branches and domestic fleet of approximately 1,764 delivery vehicles, which are shared with the Logistics business, the Company is able to provide remittance services at lower costs and in more locations than traditional banking institutions in the Philippines. As a result, the Company has developed a strong customer base in the unbanked Philippine population, which accounted for approximately 80% of the total Philippine population as of December 31, 2013, according to the BSP. The Company believes that with the continuing recovery of the global economy and increasing levels of private consumption in the Philippines, the money transfer industry will maintain strong growth momentum in the near and medium-term future and that the Company will continue to be a provider of choice for remittances for Filipinos. The Company also believes that its money remittance business, which has historically displayed strong volume growth even during times of economic slowdown, will continue to provide it stability in its operations and results in times of economic volatility. Moving forward, the Company also believes the strength of its remittance business, coupled with its strong brand equity, will result in an increasing number of remittance customers availing of the Company's logistics products and services.

Uniquely positioned to benefit from the surging demand for corporate logistics solutions

As the Philippine economy continues to grow and certain industries mature, Philippine corporations are increasingly outsourcing logistics functions to third party logistics providers. Along with improvement and penetration of technology and E-commerce in the consumer industries, logistics has become increasingly global in nature, creating new business opportunities for the Company in areas such as international freight forwarding, warehousing and inventory management. With an established operational platform which includes an extensive domestic and international distribution network, an integrated IT infrastructure and a widely recognized and trusted brand, the Company believes it is favorably positioned to compete for market share in the growing corporate logistics industry. The Company has already increased its focus on the corporate sector in recent years, broadening its scope of services from traditional courier and freight forwarding services to specialized corporate solutions such as fulfillment processing, packaging and repacking, printing and mailing of invoices and others. The Company has established close working relationships with several carriers throughout the Philippines' major ports, affording it prioritized capacity and processing opportunities and reducing origin-to-destination transit time. The Company also maintains an extensive network of strategically located warehouses, distribution centers and regional hubs (secondary distribution centers), which are not yet at full utilization and can be scaled to grow the Company's corporate logistics segment. The Company believes that it will be well-positioned to capture growth from corporate clients as the Philippine economy continues to grow.

Best-in-class management team with established track record

The Company's senior management team has extensive experience in business management and market development, combined with a deep understanding of the Philippine logistics and remittance industries and a track record for successful expansion into overseas markets. Their strong management skills and business acumen have also been recognized by the wider business community in the region. Together, the senior management team has over 100 years of combined experience in the logistics and remittance industries. Under their leadership and guidance, the Company utilizes targeted strategies to maintain and grow its market leadership in established business segments and compete for additional market share in growing business segments. The Company believes that its strong management team enables it to continue improving the efficiency of its operations, the quality of its service offerings and its ability to satisfy its customers' requirements.

Key Strategies

Continue to invest in IT infrastructure and operations to enhance efficiency and service quality

The Company is committed to continuing to invest in state-of-the-art IT systems to maintain its competitive edge and more effectively deliver quality service to its customers. The Company is already in the process of implementing an updated proprietary IT system that will integrate various components of its existing technology infrastructure, thereby enhancing efficiencies and reducing human error in its operations. The new system, VISTRA, will be developed in-house and will consolidate the Company's existing POS technology (used for courier, air cargo and remittance acceptances), the integrated cargo application ("INCA") technology used for its sea cargo acceptance and its package tracking software in order to allow for more efficient transactions at the point of sale, improve inventory control and tracking and centralize customer management. The Company also recently began the process of providing handheld scanners to its entire team of couriers to improve the collection of tracking data as well as the efficiency of its couriers by eliminating human error and reducing the amount of manual paperwork necessary. The consolidation of data across its various business functions will provide management with a greater means to monitor the business and make key operational decisions. The Company has also recently invested in a comprehensive suite of customized business management solutions software from SAP encompassing financial and accounting, human resources, procurement, customer relationship management, warehouse management, sales and distribution, transportation management and business intelligence solutions. In addition, to ensure the quality and uninterrupted delivery of its service as well as the safety of its employees, the Company will continue to ensure that its operational equipment remains well maintained and updated from time to time. Toward this end, the Company began refleeting most of its delivery vehicles in fiscal year 2014. The Company believes that these investments in technology and operational equipment will yield significant cost savings and productivity enhancement. See also "Business – Information Technology" on page 106 of this Prospectus. The Company will continue to evaluate new products and technologies as they come to market and will prudently invest in software and devices to enhance the management and efficiency of its operations.

In furthering the Company's goal of strengthening its warehousing, transport and manpower capabilities, the Company intends to develop a warehouse management system (for its warehouse operations) and a fleet management system (for its cargo transportation operations). The Company will also continue to establish alliances with suppliers, ranging from airlines to local truckers, to ensure availability of service while simultaneously improving service process.

Continue to leverage the Company's platform and brand to expand into adjacent businesses

As a result of the expected growth of the Philippine economy in the near term, increased sophistication of Philippine corporates, improved technology and increased emphasis on E-commerce, the Company anticipates many opportunities to expand into adjacent business segments by leveraging its established business platforms and brand equity. These adjacent businesses include, among others:

> *International Freight Forwarding*. The Company has entered into a partnership agreement with OHL, a global provider of air and sea freight forwarding services, effective August 1, 2013, to operate as a licensed non-vessel operating common carrier ("NVOCC"), whereby each party has mutually appointed the other to serve as a non-exclusive sales and handling agent for air and sea freight forwarding to and from the United States, China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, Australia and the United Kingdom to Manila. Whereas in the past, the Company was required to operate through an international freight forwarder for international shipments, this agreement enables the Company to engage in the business of international freight forwarding, transacting directly with international shipping companies, through its partnership with OHL. This will enable the Company to lessen its own reliance on other international freight forwarders as well as provide international freight forwarding services to others as a new service offering. The Company intends to expand its international freight forwarding business in the future, exploring the possibility of forming partnerships with other NVOCCs and international freight forwarders.
>
> *E-commerce Fulfillment and Payment Solutions*. The Company also aims to take advantage of the growth in E-commerce in the Philippines, which it believes could translate into significant growth potential for both of its businesses. As E-commerce increases, the demand from online retailers for warehousing, packaging, delivery, billing, payment and other services that the Company provides will continue to grow. With its existing logistics and bills payment collection platforms, the Company believes it is well-positioned to be the integrated logistics and money services provider of choice for corporate E-commerce clients. The Company aims to target direct sellers, online resellers and buyers, with services such as same day delivery, SMS notifications, personalized packages and Send & Swipe options, among others. The Company recently created shippingcart.com to allow customers to shop anywhere in the world by providing a personal P.O. box and payment solutions such as cash, credit card,

and bank transfer. The Company also intends to create a secure trade platform as an integrator of payments, including cash, credit card and bank transfer. As of the date of this Prospectus, the Company has already entered into contracts with certain E-commerce companies to provide fulfillment and delivery services.

Integrated Port and Logistics Services. In addition, the Company plans to leverage its experience in the logistics and sea cargo forwarding industries and intends to establish a Super Hub, an integrated port and logistics facility (the "Super Hub"). As more than 60% (by volume) of sea cargo originating from or destined for Metro Manila passes through the Port of Manila, the Company will seek to capture this market and provide a one-stop hub to customers, offering services such as transport modes, distribution facilities and customs/quarantine services, among others, all aimed to increase efficiency and reduce costs for customers. The Super Hub is envisioned to offer facilities for domestic and international cargo transport, warehousing and distribution of goods, as well as house container yards, container freight stations, storage warehouses, cross-docking facilities (for both regular and temperature-controlled goods), and also various government and commercial public facilities, such as a canteen, a fuel station and housing facilities, all of which would be available for sale or lease.

Cold Chain Supply. The Company also intends to expand into the cold chain business, which generally refers to the uninterrupted series of pre-cooling, packaging, handling, transportation, storage and distribution, all while maintaining a defined temperature range. Cold chain capabilities are typically required for high-value crops, fishery, poultry and livestock meat, pharmaceutical and other perishable goods. The Company believes there is significant growth potential in this industry, and intends to develop a logistics infrastructure and create an organization to support these requirements and invest in temperature-controlled warehouses, reefer vans and reefer trucks.

The Company aims to continue evolving its services and capabilities to anticipate and meet the needs of corporate clients and capture value from the growth of the domestic economy.

Continue to expand internationally

The Company has an extensive network of branches, affiliates and agents in over 30 countries and territories worldwide. The Company believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada and the Middle East. As part of the effort to capture market share in such underserved markets, the Company plans to improve and renovate its existing branches in order to more efficiently handle and process customer needs and provide service excellence. In addition, the Company continuously reviews opportunities to operate in markets where OFWs are deployed or where Filipinos are migrating, including Germany, Korea, Kuwait, Bahrain and Qatar, where the company recently opened branches. As a part of its strategy to broaden its international coverage, the Company will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

Continue to invest in brand equity

The Company's long history and extensive domestic and international branch network have established widespread recognition of its brand among domestic Filipino customers and OFWs alike. They are not only critical assets for attracting retail and corporate customers but also yield cost savings and access to priority services. For example, the Company's established relationships with third party air and sea transport providers have enabled it to gain fixed cargo space on planes and first right of access to empty containers from shipping carriers. These and other benefits enable the Company to more quickly fulfill customer orders.

The Company aims to continue building its brand equity through advertising and promotional activities. The Company regularly advertises on television, radio and billboards, as well as in print and on the Internet. It also participates in other community outreach exercises such as sponsorship of the Ronda Pilipinas (the largest Philippine cycling race), golf tournaments and athletic events of Filipino boxer and politician Manny Pacquiao. See "Business – Corporate Social Responsibility – Community Outreach" on page 113 of this Prospectus. The Company believes that in addition to fulfilling its commitment to corporate social responsibility, these activities help raise the recognition of the "LBC" brand and understanding of the Company's core values. See "Business – Marketing and Sales" on page 105 of this Prospectus.

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

Selectively pursue acquisition opportunities

In addition to its commitment to invest in organic growth, the Company also plans to augment its breadth of service offerings and depth of operations by selectively and strategically pursuing sound acquisition opportunities. In evaluating such opportunities, the Company will consider, among other factors, whether the potential target company has synergies with the Company's existing operational platform, whether the potential target will enable the Company to grow its customer base and market share in existing businesses, whether it will provide the Company with the platform or know-how to expand into new business areas, and whether it will provide synergies in terms of efficiencies and revenue generation. The Company believes that prudent investment in strategic acquisitions will bring attractive returns to its revenues, profit and growth over the medium to long term.

Risks of Investing

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include the following:

Risks relating to the Company's business

- A significant portion of the Company's business activities are conducted in the Philippines and a significant portion of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.

- The Company's business is particularly dependent on the quality as well as the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.

- The Company's successful operation depends to a large extent on the quality of its IT systems; therefore, if the Company is unable to adapt to rapid technological changes, its business could suffer.

- The Company may not be successful in implementing its acquisition strategies or manage its acquisitions effectively.

- The Company may not be able to expand its domestic branch network and its product offerings.

- The Company may not be able to expand into new geographical markets or develop its existing international operations successfully, which could limit the Company's ability to grow and increase its profitability.

- If consumer confidence in the Company and the "LBC" brand deteriorates, the Company's business, financial condition and results of operations could be adversely affected.

- The Company relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Company's business.

- The Company may not have adequate insurance to cover all potential liabilities or losses.

- The Company operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.

- If the Company ships or delivers hazardous or undisclosed illegal cargo, it could subject the Company to fines and penalties.

- Any deterioration in the Company's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Company's operations.

- The Company faces risks from increases in freight and transportation costs.

- The Company does not own any real property and the Company may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.

- The Company faces risks from its remittance agents and affiliates.

- The Company may encounter difficulties in managing the operations of its agents and affiliates effectively.

- The Company's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Company's operations and profitability.

- The Company is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Company, its agents and affiliates to comply with these laws and regulations and increased costs or loss of business associated with compliance with these laws and regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

- The Company faces risks from trade restrictions.

- Any inability of the Company to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.

- Risks associated with the Company's money transfer operations outside the Philippines could adversely affect the Company's business, financial condition and results of operations.

- The Company is controlled by the Araneta Family, through LBC Development Corporation, whose interests may not be the same as those of other shareholders.

- The placing of LBC Bank under receivership had and might have material adverse effects on the Company. In addition, the potential claims of (i) ₱333 million against LBC Development Corporation, (ii) ₱1,796 million against LBC Express, Inc., and (iii) ₱245 million against LBC Systems, Inc., a subsidiary of LBC Express, Inc., by the PDIC, may also have a material adverse effect on the Company.

Risks relating to the Philippines

- 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.

Risks relating to the Offer and the Offer Shares

- The Offer Shares may not be a suitable investment for all investors.

- There can be no guarantee that the Offer Shares will be listed on the PSE.

- There may be a limited market for the Common Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

- The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

- Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

- The Company's shares are subject to Philippine foreign ownership limitations.
- Shareholders may be subject to limitation on minority shareholders' rights.
- Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.
- Future changes in the value of the Philippine Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.
- The Company may be unable to pay dividends on the Common Shares.

Risks relating to certain statistical information in this Prospectus

- Certain information contained herein is derived from unofficial publications.
- Neither the section of this Prospectus entitled "Industry" nor the Transport Intelligence or Ken Research reports were independently verified by the Company or the Sole Underwriter, and Transport Intelligence and Ken Research may not be independent.

Please refer to the section entitled "Risk Factors" beginning on page 31 of this Prospectus which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of Offer Shares.

Corporate Information

The Company is a Philippine corporation with its registered office and principal executive offices located at General Aviation Center, Domestic Airport Compound, Pasay City, Metro Manila, Philippines. The Company's telephone number is +632-856-8510 and its fax number is +632-851-9759. Its corporate website is www.lbcexpressholdings.com. The information on the Company's website is not incorporated by reference into, and does not constitute part of, this Prospectus.

Investor Relations Office

The Investor Relations Office is tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to the Company's stakeholders as well as to the broader investor community.

Mr. Enrique V. Rey Jr., acts as the Company's Investor Relations Officer ("IRO") and heads the Company's Investor Relations Office. The IRO is responsible for ensuring that Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO is responsible for receiving and responding to investor and shareholder queries. In addition, the IRO oversees most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO is also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance.

Atty. Mahleene G. Go serves as the Company's Compliance Officer to ensure that the Company complies with, and files on a timely basis, all required disclosures and continuing requirements of the SEC and the PSE.

The Company's Investor Relations Office is located at 5th Floor, Star Cruises Centre, 100 Andrews Avenue, Newport City, Pasay City, Philippines 1309.

SUMMARY OF THE OFFER

Issuer..	LBC Express Holdings, Inc., a corporation organized under Philippine law with trading symbol "LBC".
Selling Shareholder………………………	LBC Development Corporation
Sole Underwriter..	Philippine Commercial Capital, Inc.
The Offer / Offer Shares............................	Offer of 69.101,000 Common Shares, consisting of 10,000,000 primary Common Shares and 59,101,000 secondary Common Shares to be offered by the Selling Shareholder.
Institutional Offer......................................	Up to 55,280,800 Offer Shares are being offered and sold to certain qualified buyers in the Philippines at the Offer Price.
Trading Participants Offer........................	Up to 13,820,200 Offer Shares are being offered to all the PSE Trading Participants at the Offer Price. Each PSE Trading Participant shall initially be allocated 102,300 Offer Shares and subject to reallocation as may be determined by the PSE. Trading Participants Offer Shares not taken up by the PSE Trading Participants shall be distributed by the Sole Underwriter to its respective clients or to the general public. Trading Participants Offer Shares not taken up by the PSE Trading Participants, the Sole Underwriter's clients or the general public shall be purchased by the Sole Underwriter.
Offer Price..	Up to ₱17.00 per Offer Share
Offer Period	The Offer Period shall commence at 9:00 a.m., Manila time, on March 27, 2017 and end at 11:00 p.m., Manila time, on March 30, 2017. The Company and the Sole Underwriter reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE. Applications must be received by the receiving agent by 11:00 p.m., Manila time on March 30, 2017, whether filed through a participating PSE Trading Participant or filed directly with the Sole Underwriter. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating PSE Trading Participant or the Sole Underwriter, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Sole Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated

	or cancelled on or before the Listing Date in accordance with the provisions of such agreement.
Eligible Investors	The Offer Shares may be purchased by any natural person of legal age residing in the Philippines, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws.
Restrictions on Ownership	The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities. Because the Company, through LBC Express, Inc., is engaged in air freight forwarding and private express and messengerial delivery services, its foreign shareholdings may not exceed 40% of its issued and outstanding capital stock entitled to vote in the election of directors, and 40% of its total issued and outstanding capital stock, whether or not entitled to vote in the election of directors. For more information relating to restrictions on the ownership of the Common Shares, see "Philippine Foreign Exchange and Foreign Ownership Controls" on page 187 of this Prospectus.
Use of Proceeds	The Company intends to use to the net proceeds from the Offer to finance strategic acquisitions and organic expansion, as well as for general corporate purposes. See "Use of Proceeds" on page 56 of this Prospectus for details of how the total net proceeds are expected to be applied.
Minimum Subscription...............................	Each application must be for a minimum of 1,000 Offer Shares, and thereafter, in multiples of 100 Offer Shares. Applications for multiples of any other number of Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Reallocation	The allocation of the Offer Shares between the Trading Participants Offer and the Institutional Offer is subject to adjustment. In the event of an under-application in the Institutional Offer and a corresponding over-application in the Trading Participants Offer, Offer Shares in the Institutional Offer may be reallocated to the Trading Participants Offer (with the consent of the Sole Underwriter). If there is an under-application in the Trading Participants Offer and a corresponding over-application in the Institutional Offer, Offer Shares in the Trading Participants Offer may be reallocated to

	the Institutional Offer (with the consent of the Sole Underwriter). The reallocation shall not apply in the event of over-application in both the Trading Participants Offer and the Institutional Offer.
Lock-up	The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction. A total of 1,146,873,632 Common Shares held by LBC Development Corporation are subject to such 180-day lock-up. See "Principal and Selling Shareholders" on page 160 and "Plan of Distribution – Lock-Up" on page 189 of this Prospectus.
Listing and Trading	The Company's application for the listing of the Offer Shares was approved by the PSE on [•]. All of the Offer Shares are expected to be listed on the PSE under the symbol and company alias "LBC." See "Description of the Shares" on page 165 of this Prospectus. All of the Offer Shares are expected to be listed on the Main Board of the PSE on or about April 5, 2017. Trading of the Offer Shares is expected to commence on the same date.
Dividends...	The Company has adopted a dividend policy of distributing to its shareholders a portion of its funds that are surplus subject to the operating and expansion needs of the Company, as determined by the Board of Directors of the Company, in the form of stock and/or cash dividends, subject always to: (a) all requirements of the Corporation Code of the Philippines as well as all other applicable laws, rules, regulations and/or orders; (b) any banking or other funding covenants by which the Company is bound from time to time; and (c) the operating and expansion requirements of the Company as mentioned above. See "Description of the Shares – Dividend Rights" on page 165 and "Dividends and Dividend Policy" on page 58 of this Prospectus
Refunds for the Trading Participants and Retail Offer	In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Sole Underwriter, is less than the number covered by its application, or if an application is rejected by the Company, then the Sole Underwriter shall refund, without interest, within five banking days from the end of the offer period, all or a portion of the payment corresponding to the number of Offer Shares wholly or

	partially rejected. All refunds shall be made through the receiving agent with whom the applicant has filed the application, at the applicant's risk.
Registration and Lodgment of Shares with PDTC	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "Philippine Foreign Exchange and Foreign Ownership Controls" on page 187 of this Prospectus.
Tax Considerations....................................	See "Philippine Taxation" on page 181 of this Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application for the Offer	Application forms and signature cards may be obtained from the Sole Underwriter or from any participating PSE Trading Participant. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application. If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents: • a certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (in the case of a corporation or a trust) or managing partner (in the case of a partnership);

	• a certified true copy of the applicant's SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws (or articles of partnership in the case of a partnership), as the case may be, duly certified by its corporate secretary (in the case of a corporation or a trust) or managing partner (in the case of a partnership); and • a duly notarized corporate secretary's certificate (in the case of a corporation or a trust) or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals. Foreign corporate and institutional applicants who qualify as Eligible Investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares.
Payment Terms for the Offer	The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (ii) a manager's or cashier's check issued by an authorized bank. All checks should be made payable to "[LBC – Follow On Offering]," crossed "Payee's Account Only," and dated the same date as the application. The applications and the related payments will be received at any of the offices of the Sole Underwriter or the selling agents.
Acceptance or Rejection of Applications for the Offer	"Application to Subscribe" forms are subject to confirmation by the Sole Underwriter and the final approval of the Company. The Company and the Sole Underwriter reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. The Company and the Sole Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will

	be allotted in such a manner as the Company and the Sole Underwriter may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and "Application to Subscribe" forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any "Application to Subscribe" forms, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE.
Expected Timetable	The timetable of the Offer is expected to be as follows: Pricing.. March 23, 2017 Notice of final Offer Price to the SEC and PSE.. March 24, 2017 PSE Trading Participants' Commitment Period.. March 27-28, 2017 Sole Underwriter's Offer Period .... March 27-30 2017 Offer Settlement Date........................... March 30, 2017 Listing Date and commencement of trading on the PSE................................ April 5, 2017 The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.
Risks of Investing..	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" and include: risks relating to the Company's business, risks relating to the Philippines, risks relating to the Offer and the Offer Shares and risks relating to certain statistical information in this Prospectus.
Independent Auditors.................................	SyCip Gorres Velayo & Co. ("SGV & Co.") *(a member firm of Ernst & Young Global Limited)* 6760 Ayala Avenue Makati City 1226 Philippines

Legal Counsel to the Issuer.........................	Picazo Buyco Tan Fider & Santos Penthouse, Liberty Center 104 H.V. Dela Costa Street, Salcedo Village Makati City
Legal Counsel to the Sole Underwriter	Angara Abello Concepcion Regala & Cruz Law Offices 22nd Floor, ACCRALAW Tower 2nd Avenue corner 30th Street Crescent Park West, Bonifacio Global City 0399 Taguig City, Philippines
Stock Transfer Agent and Receiving Agent	Rizal Commercial Banking Corp.-Stock Transfer Department Ground Floor Grepalife Building 221 Sen. Gil Puyat Avenue, Makati City,

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables set forth summary consolidated financial information for the Company and should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The consolidated financial statements of the Company and its subsidiaries as at December 31, 2014 and 2015 and their financial performance and their cash flows for the years then ended were audited by SGV & Co. The financial information presented below as of and for the nine months ended September 30, 2015 and 2016 were derived from the unaudited interim condensed consolidated financial statements of the Company, prepared by the Company's management.

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the consolidated financial statements and the related notes elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30		**For the years ended December 31**		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Service Fees	5,710.5	6,359.8	6,087.4	7,056.2	7,686.5
Cost of Services	3,838.3	4,080.9	(4,058.1)	(5,282.5)	(5,119.5)
Gross Profit	1,872.2	2,278.9	2,029.3	1,771.7	2,567.0
Operating Expenses	(1,355.2)	(1,425.8)	(1,506.1)	(1,602.6)	(1,947.8)
Other Income (Charges)	53.5	41.6	24.4	31.3	67.7
Income before Income Tax	570.5	894.7	547.6	200.4	686.9
(Provision For) Benefit From Income Tax	(181.2)	(274.2)	7.0	(57.0)	(270.6)
Net Income	**389.3**	**620.5**	**554.6**	**143.4**	**416.3**
Other comprehensive income (loss)	(52.4)	306.4.	223.2	3.4	(97.9)
Total comprehensive income	**336.9**	**926.9**	**777.8**	**146.8**	**318.4**
Net income attributable to:					
Shareholders of LBC Express Holdings, Inc.	407.0	627.3	557.10	156.8	439.8
Non-controlling interests	(17.7)	(6.8)	(2.5)	(13.4)	(23.5)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in (₽ millions)	As of September 30 2016 unaudited	As of December 31 2014 audited	As of December 31 2015 audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,127.5	527.9	979.1
Trade and other receivables	944.5	893.9	1,025.1
Due from related parties	2,019.4	1,533.6	1,763.0
Available-for-sale investments	250.4	-	-
Prepayments and other assets	299.0	269.4	443.3
Total Current Assets	4,640.8	3,224.8	4,210.5
Noncurrent Assets			
Property and equipment	790.2	636.9	763.0
Intangible assets	263.4	256.5	276.4
Available-for-sale investments	516.7	276.9	212.6
Deferred tax assets	247.0	256.9	225.7
Security deposits	211.1	172.8	209.9
Other noncurrent assets	61.9	55.4	61.8
Total Noncurrent Assets	2,090.3	1,655.4	1,749.4
Total Assets	**6,731.1.**	**4,880.2**	**5,959.9**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,287.1	1,564.5	1,830.2
Current portion of notes payable	755.7	714.8	1,040.6
Due to related parties	25.6	183.2	20.0
Transmissions liability	347.8	359.0	508.1
Income tax payable	197.3	59.0	43.1
Current portion of lease liabilities	41.9	9.3	130.7
Total Current Liabilities	2,655.4	2,889.8	3,572.7
Noncurrent Liabilities			
Retirement benefit liability	682.3	541.9	641.8
Lease liabilities	78.2	122.6	74.2
Notes payable-net of current portion	723.8	-	-
Other non-current liabilities	36.8	-	43.5
Total Noncurrent Liabilities	1,521.1	664.5	759.5
Total Liabilities	**4,176.5**	**3,554.3**	**4,332.2**

	As of September 30	As of December 31	
	2016	**2014**	**2015**
Amounts in (₱ millions)	unaudited	audited	audited
Equity			
Equity attributable to shareholders of the parent company			
Capital stock	1,425.9	40.9	1,425.9
Additional paid-in capital	-	71.1	-
Retained earnings	801.8	133.9	174.5
Accumulated comprehensive income (loss)	374.3	164.7	68.4
Equity reserve	-	929.2	-
Non-controlling interests	(47.4)	(13.9)	(41.1)
Total Equity	2,554.6.	1,325.9	1,627.7
Total Liabilities and Equity	**6,731.18**	**4,880.2**	**5,959.9**

SUMMARY CASH FLOW INFORMATION

	For the nine months ended September 30		For the years ended December 31		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Net cash provided by operating activities	338.8	259.5	297.1	83.9	596.8
Net cash used in investing activities	(491.0)	(454.8)	(245.4)	(427.7)	(1,722.2)
Net cash generated from (used in) financing activities	490.8	350.0	(58.3)	373.9	1,567.0
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.7)	(6.3)	0.1	(11.6)	9.6
Net increase (decrease)in cash and cash equivalents	334.9	148.4	(6.5)	18.5	441.6
Cash and cash equivalents					
Beginning of year/period	527.9	979.1	515.9	509.4	527.9
End of year/period	862.7	1,127.5	509.4	527.9	979.1

KEY PERFORMANCE INDICATORS

The tables below sets forth key performance indicators for the Company for the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016.

Financial Key Performance Indicators

	For the nine months ended September 30		For the years ended December 31		
	2015	2016	2013	2014	2015
	unaudited	unaudited	audited	audited	audited
Gross profit (service fees less cost of services) (₱ millions)	1,872.2	2,278.9	2,029.3	1,771.7	2,566.9
Operating income(1) (₱ millions)	599.6	935.1	575.0	231.2	730.2
EBITDA(2) (₱ millions)	787.7	1,159.5	900.2	507.3	989.6
EBITDA margin (3)(%)	13.8%	18.2%	14.8%	7.2%	12,9%
Net income (₱ millions)	389.3	620.5	554.6	143.4	416.3
Net profit margin (4) (%)	6.8%	9.8%	9.1%	2.0%	5.4%
Total debt(5) (₱ millions)	1,031.1	755.7	227.7	714.8	1,040.6
Net cash(6) (₱ millions)	(168.3)	371.8	281.7	(186.9)	(61.5)

Notes:

(1) Operating income is calculated as income before income tax plus interest expense. .

(2) EBITDA is calculated as operating income plus depreciation and amortization, 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 Company'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 Company'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 as a percentage of service revenues.

(5) Total debt includes notes payable (current portion) only.

(6) Calculated as total cash and cash equivalents less total debt.

Operational Key Performance Indicators

	For the nine months ended September 30		For the years ended December 31		
Logistics	2015	2016	2013	2014	2015
On time delivery rate (%) (1)	92.72	88.58	98.8	99.5	92.1
Acceptance/pickup for the year for the Company					
Air Cargo (₱)	2,557,120,732	3,114,650,488	2,211,237,233	2,760,557,150	3,438,659,452
Sea Cargo (₱)	553,803,960	661,597,744	639,300,032	828,047,833	752,427,687
Courier (₱)	1,245,190,867	1,327,786,418	1,411,993,467	1,570,227,005	1,672,319,656

Logistics	For the nine months ended September 30		For the years ended December 31		
	2015	2016	2013	2014	2015
Corporate(2) (₱)	108,693,402	133,201,687	230,103,735	182,381,908	146,735,622
Acceptance/pickup for the year for affiliates(3)					
Air Cargo (₱)	9,156,158	11,227,465	10,274,696	11,847,250	12,759,451
Sea Cargo (₱)	135,853,702	166,586,532	164,607,475	189,800,830	189,317,249
Courier (₱)	1,767,624	2,167,495	3,026,796	3,490,050	2,463,250
Number of couriers(4)(5)	1,733	1,770	1,259	1,240	1,711
Productivity per courier (5)(6)	74	70	54	65	73
Sorting efficiency (%) (7)	99.87	99.96	99.95	99.96	99.93
Number of corporate customers	873	884	425	925	926

Notes:

(1) With exemptions of extreme situations (i.e., house closed, force majeure, etc.); also includes Pesopak deliveries (i.e., remittance deliveries made directly to beneficiary's doorstep).

(2) Includes Print and Mail and Specialized Corporate Solutions services

(3) Includes all international affiliates of the Company. The Company only charges a service fulfilment fee for these transactions.

(4) Monthly average

(5) For Philippines only

(6) Average number of parcels or cargo delivered by the courier measured on a daily basis; computed based on six work days per week

(7) Percentage of correctly-routed items over total items accepted

Remittances	For the nine months ended September 30	For the years ended December 31			
	2015	2016	2013	2014	2015
Domestic remittances					
Number of transactions	12,803,724	10,746,159	17,989,072	17,387,056	14,473,606
Fee income (₱)	923,193,305	738,966,004	1,282,694,452	1,258,024,824	1,121,257,039
Service locations	3,756	3,831	3,363	3,588	3,768
International inbound remittances					
Number of transactions	1,427,000	1,287,000	245,322	1,563,504	4,734,000
Fee income (₱)					

Remittances	For the nine months ended September 30 2015	For the years ended December 31 2016	2013	2014	2015
	83,174,788	94,686,060	15,271,295	97,044,436	209,332,208
Bills Payment Collection and Corporate Remittance Payouts					
Number of transactions	10,349,276	11,451,330	8,149,032	11,611,939	13,898,394
Fee income (₱)	48,598,457	55,317,912	51,403,371	59,253,196	65,593,389
Service locations	1,231	1,231	1,085	1,134	1,243

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares.

Investors deal in a range of investments, each of which may carry a different level of risk. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline or may cause investors to lose all or part of their investment in the Offer Shares.

This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the Offer or the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Common Shares and the Company from the SEC.

The risk favors discussed in this section are of equal importance and are only separated into categories for easy reference.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Business," "Management's Discussion and Analysis of Financial Condition *and Results of Operations," "Industry," and "Board of Directors* and Senior Management – Corporate *Governance" of this Prospectus.*

RISKS RELATING TO THE COMPANY'S BUSINESS

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 expose the Company to risks associated with the Philippines, including the performance of, and impacts of global conditions on, the Philippine economy.

The Company derives a significant portion of its revenues and operating profits from its operations in the Philippines and its businesses are generally dependent on the state of the Philippine economy. Demand for, and prevailing prices of the Company's services may be related to the strength of the Philippine economy (including overall GDP growth levels, inflation and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from OFWs. The state of the Philippine economy and, in turn, the Company's business, is also influenced by the general condition of the regional and global economy. For example, as a result of the Asian financial crisis that began in 1997, the Philippine economy went through a sharp downturn in the late 1990s. This downturn was further exacerbated during 2000 to 2001 by the political crisis resulting from the impeachment proceedings against, and the subsequent resignation of, former President Joseph Estrada. Most recently, the global financial downturn also resulted in a general slowdown of the global economy in 2008 and 2009, protracted by the ongoing Eurozone crisis, all of which have directly and indirectly affected the Philippines.

There is no assurance that an economic slowdown in the Philippines will not recur. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- foreign exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies and laws;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- other regulatory, political or economic developments in or affecting the Philippines and elsewhere globally, such as the 2008 global financial crisis; and
- a re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu) or the emergence of another pandemic in the Philippines or in other countries in Southeast Asia.

There is a degree of uncertainty regarding the economic and political situation in the Philippines. This uncertainty could have adverse effects on the revenues from the Company's businesses as these factors could reduce the growth of consumer spending, which in turn could lead to a reduction in the volume and frequency of shipments made by the Company's customers, or the amount and frequency of remittance payments transacted. Such uncertainty could also impose practical limits on pricing and adversely affect the Company's results of operations. In addition, any political instability, including major public protests and terrorist activities, could result in disruptions in sea, air and ground transportation, increased security costs for the Company, and heightened risk of damage to one of its branch locations, all of which could result in a material adverse effect on the Company's operations. See "Risk Factors – Risks Relating to the Philippines" on page 47 of this Prospectus.

There can be no assurance that the political environment in the Philippines will stabilize and any political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Company's business, financial conditions, results of operations and prospects. Further, while the Company has stringent internal control systems in place, the high level of corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties.

The Company's business is particularly dependent on the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations.

The Company's ability to provide reliable service in both its Logistics and Money Transfer Services businesses largely depends on the efficient and uninterrupted operation of its computer network systems. The Company's Logistics business involves the movement of large quantities of parcels and cargo to dispersed locations on a time sensitive basis, as well as the management of data in relation thereto. The Company's ability to quickly and correctly obtain, process and transmit data related to inventory, routing, freight rates, transport costs and container locations is critical to the effective and timely provision of its courier and freight forwarding services. Likewise, the Company's computer systems for managing its real-time remittance fulfillment services and bills payment collection services are critical to ensuring that transactions are properly settled, mismatches are addressed immediately, branch locations are properly funded to meet anticipated encashment needs and fraudulent and suspicious transactions are detected in a timely manner. Consequently, the success of the Company's business particularly depends upon the efficient and error-free handling of such transactions and data, and a breakdown of or disruption to any of these systems could materially affect the relationships that the Company has with its customers, its reputation and its operating costs and margins.

A breakdown, catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), security breach, improper operation, improper action by its employees, agents, customer financial institutions or third party vendors or any other event affecting its systems or processes could result in financial loss, loss of customers, regulatory sanctions, lawsuits and damage to the Company's reputation or consumers' confidence in the Company's businesses. The measures that the Company has enacted, such as the implementation of disaster recovery plans and redundant computer systems managed by its IT services provider, may not be successful. Any such failure of the Company's IT systems could result in temporary or sustained cessation of business, which would have a material adverse effect on its business, financial condition and results of operations. Moreover, critical Internet infrastructure in the Philippines remains underdeveloped. Consequently, the likelihood of Internet blackouts or outages pose a more significant risk in the Philippines than in other countries with a more sophisticated Internet infrastructure. Even in the absence of blackouts and outages, the general speed and reliability of Internet connection in the Philippines can create operating inefficiencies and inconsistencies for the Company's business.

The Company may also experience problems other than system failures, including software and hardware defects, development delays, installation difficulties as well as learning costs related to technological transitions, which could harm its business and reputation and expose the Company to potential liabilities and increased operating expenses. In addition, any work stoppages or other labor actions by employees who support the Company's systems or perform any of its major functions could adversely affect the Company's business. The Company does not maintain business interruption insurance (see "Risk Factors – Risks Relating to the Company – The Company may not have adequate insurance to cover all potential liabilities or losses" on page 39 of this Prospectus) and would, as a result of any significant system interruptions or system failures, face lost income during such downtimes.

The Company's successful operation depends to a large extent on the quality of its IT systems; therefore, if the Company is unable to adapt to rapid technological changes, its business could suffer.

The Company's ability to continue to provide services to a growing number of consumers, as well as to enhance its existing services and offer new services, is dependent to a large extent on the quality of its IT systems. If the Company is unable to effectively manage the technology associated with its business, it could experience increased costs, reductions in system availability and loss of agents or consumers. Any failure of its systems in scalability, reliability and functionality could adversely impact its business, financial condition and results of operations.

The Company is currently implementing a series of technology upgrades (see "Business – Information Technology" on page 106 of this Prospectus) and believes that its IT systems in their present format represent one of its competitive strengths. However, its competitors may at any time develop similar or better systems. The introduction of services embodying new technologies could render the Company's existing services and features obsolete or less attractive to customers. In addition, the intended benefits of the Company's technology upgrades may fail to materialize or may cost more than expected. For example, the Company is in the process of acquiring put-to-light sorting technology for the processing of its non-bulk mail. It also recently began the process of outfitting all of its couriers with handheld scanners and implementing a new integrated technology system. While the Company believes that these improvements will enable it to remain competitive in its industry, there can be no assurance that these improvements will bring the operational efficiencies, increased capacity and cost-savings sought by the Company.

Moreover, even with the technology upgrades, some of the Company's procedures are not yet fully automated. For example, certain steps in the sorting of parcels and cargo at the Company's Central Exchange and regional distribution centers are still performed manually, which leaves the process more susceptible to human error. The Company expects to continue to commit significant financial resources, time, management expertise, technological know-how and other resources to the maintenance and further modification and enhancement of its IT systems in the future. However, there is no guarantee that its IT systems in their present format, or any improvements and new developments thereto, will yield the desired results, and there can be no certainty that costs incurred in this respect will result in improved operational efficiency and/or cost savings. If the Company is not successful in achieving anticipated benefits through maintaining, improving and continuing to develop its IT systems, its operational efficiency and cost structure relative to its competitors could deteriorate. This could have a material adverse effect on its business, financial condition and results of operations.

The Company may not be successful in implementing its acquisition strategies or manage its acquisitions effectively.

A component of the Company's business strategy includes growth through strategic acquisitions. See "Business – Key Strategies – Selectively Pursue Acquisition Opportunities" on page 87 of this Prospectus. The Company's expansion historically has been exclusively through organic expansion and it has no past record of making any strategic acquisitions. There can be no assurance that the Company will be able to identify suitable acquisition targets, successfully bid on, finance and execute acquisitions, negotiate an earnings-accretive purchase price or successfully integrate acquired businesses, retain and integrate key employees of acquired companies or address new business risks not currently faced by the Company. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, the Company may decide to delay, modify or forego some aspects of its growth strategies, and this could have a material adverse effect on the Company's financial condition and results of operations as well as its future growth prospects.

In addition, completing acquisitions could require use of a significant amount of the Company's available cash, which could potentially exceed the proceeds of the Offer, and thus require the incurrence of further financial leverage, which would increase risks to the Company's financial condition, results of operations and liquidity. Acquisitions and investments may also have negative effects on the Company's reported results of operations due to acquisition-related charges, amortization of acquired technology and other intangible assets and/or actual or potential liabilities, known and unknown, associated with the acquired businesses or joint ventures. Moreover, completing an acquisition may result in diversion of Company management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients or inability to leverage synergies, rationalize operations, or develop the skills required for new businesses and markets. Any of these could result in a material adverse effect to the Company's business, prospects and results of operations.

The Company may not be successful in expanding its domestic branch network and its product offerings.

The Company also intends to continue expanding its domestic branch network organically by opening new branches within the Philippines, as well as continue to increase its product offerings, particularly in the corporate sector. Organic expansion of the Company's domestic network and the increase in its product and service offerings will expose it to a number of risks and challenges including, among others, the following:

- the Company may fail to open branches in desirable or economically beneficial locations;
- the Company may fail to achieve additional economies of scale through its planned expansion of its branch network;
- new and expanded business activities may require greater construction, marketing and compliance costs than the Company's traditional services;
- new and expanded business activities may have less growth or profit potential than the Company anticipates and there can be no assurance that new business activities will become profitable at the level the Company desires or at all;
- the Company may record losses or experience branch closures as a result of overly-rapid expansion and failure to effectively assess market conditions prior to expanding;
- the Company may fail to identify and offer attractive new services in a timely fashion, putting it at a disadvantage to competitors;
- the Company may need to further enhance the capability of its IT systems to support a broader range of activities; and
- the Company may not be able to identify or retain qualified staff for its new branches or businesses.

Any of these could result in a material adverse effect to the Company's business, prospects and results of operations.

The Company may not be able to expand into new geographical markets or develop its existing international operations successfully, which could limit the Company's ability to grow and increase its profitability.

The Company's long-term strategy includes developing the Company's existing operations outside of the Philippines and potentially entering into new geographical markets. The Company may not be able to establish branches or subsidiaries, or to form partnerships and attract agents to horizontally expand its operations in countries in which it already has operations, or to invest in new geographical markets to strengthen the Company's international operations. If the Company fails to further develop its international operations or enter new markets or countries in a strategic manner, it may not be able to continue to grow its revenues and earnings. Furthermore, the Company operates in industries that are subject to significant regulation, and the Company's lack of familiarity with the regulatory landscape in new markets may result in its running into unanticipated problems or delays in obtaining the requisite regulatory approvals and licenses. The Company may not be able to successfully expand in such markets due to its lack of experience. Moreover, it may not be able to execute its strategy in its existing international operations successfully, which may result in losses or limit the Company's growth prospects. In addition, expanding internationally subjects the Company to a number of risks, including:

- greater difficulty in managing foreign operations;
- expenses associated with localizing the Company's products, including offering consumers the ability to transact in major currencies;
- potentially higher labor costs and problems integrating employees that the Company hires in different countries into the Company's existing corporate culture;
- laws and business practices that favor local competitors;
- competition from larger, established international competitors;
- multiple and changing laws, tax regimes and government regulations;
- foreign currency restrictions and exchange rate fluctuations;
- changes in a specific country's or region's political or economic conditions; and
- differing intellectual property laws.

In addition, global operations expose the Company to numerous and sometimes conflicting legal and regulatory requirements, and violations or unfavorable interpretation by authorities of these regulations could harm the Company's business. If the Company is not able to successfully manage these and multiple other risks associated with global operations, the Company's business, financial condition and results of operations could be materially adversely affected.

If consumer confidence in the Company and the "LBC" brand deteriorates, the Company's business, financial condition and results of operations could be adversely affected.

The Company's business is built on consumers' confidence in the "LBC" brand, as well as the Company's ability to provide fast and reliable delivery and cash fulfillment services. As a consumer business, the strength of the "LBC" brand and reputation are of paramount importance to the Company. A number of factors could adversely affect consumer confidence in the Company's business and the "LBC" brand, many of which are beyond the Company's control. These factors include:

- any regulatory action or investigation against the Company or any other affiliate using the LBC Marks;
- any significant interruption in the Company's systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or disruptions in the Company's workforce;
- any breach of the Company's security system or any compromises of consumer data;

- actions of employees or other Company representatives, within the scope of work or otherwise, that reflect poorly on the Company;

- reputational concerns resulting from actual or perceived events, including those related to fraud; and

- local or foreign legal requirements, including those that require the Company to provide consumer data to a greater extent than is currently required.

In addition, the Company is largely dependent on the Company's agents and affiliates to which the Company licenses its services to maintain the reputation of the "LBC" brand. Despite the measures that the Company puts in place to ensure their compliance with the Company's performance standards, the Company's lack of control over their operations may result in the low quality of service of a particular agent or affiliate being attributed to the "LBC" brand, negatively affecting the Company's overall reputation. Negative publicity surrounding any assertion that the Company's agents and/or merchants are implicated in fraudulent transactions, irrespective of the accuracy of such publicity or its connection with the Company's current operations or business, could also harm the Company's reputation.

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" logo, which is owned directly by the Company, these marks are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. See "Business – Intellectual Property" on page 107 of this Prospectus.

Moreover, the "LBC" brand is licensed to other companies and organizations owned by LBC Development Corporation or common beneficial shareholders of LBC Development Corporation that are wholly unrelated to the Company with respect to management and operations. The activities of such companies and organizations may nonetheless, by association, impact the Company's reputation. For example, in September 2011, LBC Bank (which was owned by some of the same beneficial shareholders as the Company) was placed into receivership and ultimately shut down by the BSP on the grounds of insolvency due to unsound banking practices. Though no wrongdoing has been found on the part of the Company as of the date of this Prospectus, the closure of the bank resulted in negative publicity for the "LBC" brand which led to a reduction in the Company's remittance business in the immediate aftermath. The Company's revenue and profits in the domestic remittance business were also negatively affected in the first half of fiscal 2012 as a result of the slowdown in business caused by the reputational damage. There can be no guarantee that future incidents relating to other companies and organizations bearing the "LBC" brand will not negatively impact the Company's reputation and business. Any event that hurts the "LBC" brand and reputation among consumers as a reliable provider of its services could have a material adverse effect on the Company's business, financial condition and results of operations.

Finally, the Company and LBC Development Corporation had recently undertaken a re-launch of the "LBC" brand, which began in November 2013 and was rolled out in phases over the course of fiscal year 2014. The re-launch included a change in the design of the long-established "LBC" logo, a new motto, a shift in emphasis in the corporate culture and other changes that the Company expects to benefit both its sales and its internal operations. See "Business – Marketing and Sales" on page 105 of this Prospectus. Nonetheless, the re-launch of the brand may not result in all or any of the benefits that the Company seeks, and customers who have long recognized the traditional "LBC" logo, motto and culture may not feel the same affinity toward the new branding measures. Failure of the new marketing strategy to achieve the aims sought by the Company, or any negative impact of altering a brand that has previously proven successful, may result in a material adverse effect on the Company's business, prospects and growth strategy.

The Company relies on third party contractors to provide various services, and unsatisfactory or faulty performance of these contractors could have a material adverse effect on the Company's business.

The Company relies on third party contractors to provide critical services in connection with its Logistics business. Most notably, the Company does not own its own air fleet or shipping vessels and instead forwards shipments on commercial carriers such as, among others, Cebu Pacific Air and Philippine Airlines (for domestic air cargo shipments), Tiger Air and Air Asia Zest (for international air cargo shipments) and Oceanic Container Lines, Inc., 2Go Freight and Asian Marine Transport Corporation (for domestic sea cargo shipments). The Company relies on these carriers to provide the appropriate crew, insurance and maintenance of their respective vessels, as well as timely and reliable service. In addition, the Company relies on Orient Freight International, an international freight forwarder, to arrange for the shipping (including selection of the international shipping company) of all international sea cargo it handles, as well as customs brokers in the Philippines and other jurisdictions in which it has operations to facilitate the customs clearance of all items in international transit. Furthermore, the Company also relies on third party contractors to provide trucking service to supplement the Company's trucking fleet. There can be no assurance that the services rendered by such third party contractors will be satisfactory and match the quality levels required by the Company. Furthermore, there is a risk that domestic airline carriers such as Cebu Pacific Air and Philippine Airlines may lack the capacity to meet the Company's volume requirements as the Company's business grows and its throughput increases. If third party contractors are unable to render their respective services in a manner satisfactory to the Company's qualitative or quantitative requirements, the Company may in turn be unable to render services to its customers or may face reputational damage for poor service, which could result in a material adverse effect on the Company's business, financial condition and results of operations. Additionally, the Company faces concentration risk with respect to its third party contractors. In particular, it relies exclusively on two domestic airline carriers for its domestic air freight forwarding operations as of the date of this Prospectus. Because of the limited number of alternative domestic commercial airline carriers, unavailability or unsatisfactory performance of the Company's existing contractors could affect the ability of the Company to provide its services in a cost-effective and satisfactory manner, or at all. The Company may also be vulnerable to increases in the cost of services provided by such third party contractors, as it may have little bargaining power in a concentrated market. Accordingly, the Company's business, financial condition and results of operation are heavily dependent upon third parties over whom it has limited control.

In 2012, certain third-party vessels carrying cargo of the Company's customers sank due to adverse weather conditions and, as a result, the Company was subject to extraordinary claims and losses from customers. Although the Company's payments to customers as a result of these incidents were partly mitigated by its general insurance coverage, the Company still had to pay out amounts for the lost cargo. As a freight forwarder, the Company assumes the primary responsibility of a common carrier for loss of, or damage to, goods in transit because it contracts for the delivery of the goods to their destinations, even if the air and sea transport services are actually provided by third parties. While the Company maintains insurance coverage when using its carriers, there is no guarantee that such insurance is sufficient to cover all potential liabilities or losses. See "Risk Factors – Risks Relating to the Company's Business – The Company may not have adequate insurance to cover all potential liabilities or losses" on page 39 of this Prospectus. The treatment of the Company as a common carrier increases the standard of diligence required in choosing its third party contractors as well as its concomitant potential liability for damages. See "Regulatory – Regulation of Freight Forwarding in the Philippines – Freight Forwarder's Liability as a Common Carrier" on page 144 of this Prospectus. There is no guarantee that vessels carrying the Company's cargo will not sink in the future. As a result, depending on the severity of any future incidents, the Company's business, financial condition and results of operation may be adversely affected.

The Company may not have adequate insurance to cover all potential liabilities or losses.

The Company maintains insurance policies with UCPB General Insurance Co, Inc., Philippine American Life and General Insurance Company and Chartis Philippines Insurance Inc., covering topics from all-risks to life insurance to personal accidents. The Company believes that the insurance it maintains is consistent with market practice in the industries in which it operates and has coverage in amounts that it believes to be adequate. See “Business – Insurance.” However, the Company faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage to address all of these risks. For example, the Company does not purchase business interruption insurance. Because the Philippines is susceptible to major natural catastrophes, such as typhoons, floods, volcanic eruptions and others, that may materially disrupt and adversely affect the Company’s courier, air cargo forwarding and Balikbayan boxes business (see “Risk Factors – Risks Relating to the Philippines – The occurrence of natural catastrophes could adversely affect the Company’s business, financial condition or results of operations” on page 51 of this Prospectus), as well as Internet blackouts and outages due to an inadequate telecommunications infrastructure (see “Risk Factors – Risks Relating to the Company’s Business – The Company’s business is particularly dependent on the efficient and uninterrupted operation of its IT and computer network systems, and disruptions to these systems could adversely affect its business, financial condition and results of operations” on page 33 of this Prospectus), the Company is at significant risk of business interruption from time to time due to events outside of its control. Any sustained business interruption could result in significant loss of income, for which the Company would not be covered by any insurance policy. Moreover, although the Company purchases general commercial “all risks” insurance coverage, there can be no assurance that the insurance coverage it currently maintains will fully compensate it for all of the damages and economic losses resulting from accidents and other unforeseen events, or that the Company will be able to renew such insurance policies at attractive rates or at all. The occurrence of any incident for which the Company is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations.

The Company operates in competitive industries, which could limit its ability to maintain or increase its market share and maintain profitability.

The Company is subject to competition in all areas of its business. With respect to its core business of courier, air cargo forwarding and Balikbayan boxes services, the Company faces competition from various Philippine companies. Although the Company has a leading position and significant market share in the domestic retail air freight forwarding industry, there can be no assurance that its competitors will not gain greater market share or name recognition in certain areas where the Company currently has a competitive advantage. If the courier and air freight forwarding industries in the Philippines undergo greater consolidation, the Company may lose some or a significant portion of its market share, or may face increased pricing competition. As the retail freight forwarding industry is particularly price sensitive, this would have a material adverse effect on the Company’s margins, business, results of operations and financial condition and inhibit its ability to implement its growth strategy. Likewise, if existing laws in the Philippines that impose foreign ownership restrictions on air freight forwarding and private express and messengerial delivery businesses are liberalized, large international logistics and forwarding companies with greater access to capital, geographic reach, know-how, brand recognition and advanced technology may pose a significant threat to the Company’s business and prospects. See “Regulatory – Regulation of Freight Forwarding in the Philippines” on page 139 of this Prospectus.

With respect to the remittance industry, the Company also faces significant competition from both banks and non-bank institutions in the Philippines that are licensed to process remittances. Large domestic banks collectively occupied 90% of the Philippine remittance market in terms of volume for the year ended December 31, 2014, according to the BSP. Established banks and other financial institutions may offer greater liquidity or superior foreign exchange rates and engender greater consumer confidence in the safety and efficacy of their services than the Company. Moreover, because established banks enjoy more sophisticated infrastructure and economies of scale for their remittance processing services, the Company may be disadvantaged in terms of cost competitiveness, which is key in a price-sensitive industry such as remittances. While the Company currently relies on its wide geographic reach to target unbanked Filipinos seeking money transfer services, there can be no assurance that the Company's remittance services will remain a viable business as the Philippine domestic economy grows and a greater number of consumers open accounts with traditional banks, or if traditional banks or other potential competitors are able to reach out to the currently unbanked population through technological or other innovation.

With respect to non-bank competitors in the Philippines, the Company faces competition from pawnshops that, like the Company, have a wide geographic reach and provide remittance services to unbanked customers. Although the Company has formed a partnership with one major chain of pawnshops, Palawan Pawnshop, the Company expects competition from pawnshops and other non-bank competitors to continue to intensify, which could result in increased pricing pressure, reduced profit margins and increased sales and marketing expenses, any of which could harm the Company's ability to increase or maintain its market share, which in turn would have a material adverse effect on its business, results of operations and financial condition. See "Business – Competition" on page 108 of this Prospectus.

In addition, the Company only recently expanded into certain areas that it has identified for growth, such as the corporate logistics business, the sea cargo forwarding industry, the international air forwarding industry and the E-commerce and payment platforms. Competition from more seasoned players in these industries may make it difficult for the Company to grow or sustain market share in these industries, which could also negatively affect the Company's core businesses as corporate resources are diverted. This could result in a material adverse effect on the Company's business, prospects, financial condition and results of operations.

If the Company ships or delivers hazardous or undisclosed illegal cargo, it could subject the Company to fines or penalties.

Although the Company has internal controls for screening all documents and cargo it ships, as well as procedures in place for handling highly sensitive items, there can be no assurance that these controls and procedures will be successful in detecting all illegal or contraband items that are placed in the Company's consignment. If the Company fails to discover any undisclosed weapons, explosives, illegal drugs, currencies or other hazardous or illegal cargo, or if the Company mislabels, mishandles or otherwise ships hazardous materials in violation of local or foreign regulations, the Company may suffer liability, as well as fines and penalties, imposed by both the country of origin and the country of destination. In addition, the Company may suffer reputational damage if it is subjected to such penalties or liability. Any of these events could have a material adverse effect on the Company's business, financial condition and results of operation.

Any deterioration in the Company's employee relations, or any significant increases in the cost of labor, could materially and adversely affect the Company's operations.

The Company's success depends in large part on its ability to maintain a productive workforce. As of September 30, 2016, LBC Express, Inc. employed 6,387 full-time workers, including drivers and couriers, branch associates, exchange associates and management and administrative associates. See "Business – Employees" on page 110 of this Prospectus.

Four of the Company's domestic subsidiaries (LBC MM, SMCCI, LBC SEM and LBC MIN) have entered into collective bargaining agreements with their respective employees, who are members of the labor union of their respective employers. Although the Company has not experienced any disruptive labor disputes in the recent past, any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's employee relations could result in the failure of the Company to meet its delivery or fulfillment obligations to customers, which, in turn, could drive customers to turn to competitors of the Company, resulting in lost profits, reputational damage and loss of consumer confidence for the Company, all of which would have a material and adverse effect on the Company's business, financial condition and results of operations.

In addition, recent and potential future increases in minimum wage levels in the Philippines could adversely affect the Company's profitability. Salaries and benefits are one of the major costs of services for the Company, accounting for 32.0%, 34.1% and 33.3% of the Company's total cost of services for the years ended December 31, 2013, 2014 and 2015, respectively. Consequently, any increase in labor costs in the Philippines that the Company is unable to pass on to customers without losing business volume could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces risks from increases in freight and transportation costs.

The Company incurs significant costs in procuring cargo space from airlines and ocean carriers, as well as providing or arranging for land transportation services. For the years ended December 31, 2013, 2014 and 2015, cost of delivery and remittance, which includes freight and transportation costs, were ₱1,313.1 million, ₱1,822.6 and ₱1,655.8, respectively, representing 32.4%, 34.5% and 32.3% of the Company's cost of services, respectively. Freight and transportation costs are significantly affected by a variety of factors, including fuel prices, the imposition of, or increases in, import or export taxes, vehicle taxes and duties, the supply of cargo space and other factors, many of which are beyond the Company's control. The inability to negotiate with contractors to maintain freight and transportation costs at commercially acceptable levels or the inability to pass on to the Company's customers any significant increases in freight and transportation costs may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company does not own any real property and the Company may be unable to renew leases at the end of their lease periods or obtain new leases on acceptable terms.

The Company does not own any real property, and the Company's registered office, distribution centers, regional hubs (secondary distribution centers), warehouses, branch offices and administrative office space are located in leased premises. The Company enters into lease agreements that are typically renewable at the Company's option at such terms and conditions which may be agreed upon by both parties. Most of the lease agreements for branch offices are for a term of three to seven years and include rental rate escalations during the term of the lease. The Company believes that the leases it enters into in the future will likely be on similar terms and have similar renewal options. See "Business – Property and Equipment" on page 110 of this Prospectus. However, if the Company is subject to substantial and/or unforeseen increases in rental rates upon renewal, its profitability may be materially and adversely affected. Likewise, if the Company is unable to renew the leases for its distribution centers, regional hubs, warehouses, branch offices and administrative offices, the Company may be forced to close or relocate its operation centers, which could subject the Company to significant costs and risks, including loss of customer traffic. Moreover, certain spaces that the Company leases, such as the hangar in the General Aviation Center that serves as its corporate headquarters as well as the Central Exchange and is only renewable on a month-to-month basis, are not easily substituted given the specific uses for which they are applied. A need to relocate any of the Company's distribution center locations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces risks from its remittance agents and affiliates.

A portion of the Company's money transfer, bill payment and money order business is conducted through independent agents as well as affiliates that provide the Company's products and services to consumers at their business locations. The Company's agents receive the proceeds from the sale of the Company's payment instruments and money transfers, and the Company must then collect these funds from the agents. Accordingly, the liquidity of the Company's agents and affiliates is necessary for its business to remain strong and for it to continue providing services. If an agent or affiliate fails to settle in a timely manner, the Company's liquidity could be negatively affected. Moreover, if an agent or affiliate becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit payment instruments or money transfer proceeds to the Company, the Company must nonetheless pay the payment instrument or complete the money transfer on behalf of the consumer.

The Company monitors the creditworthiness of the Company's agents and affiliates. It also requires most of its agents and affiliates to maintain a revolving advance coverage fund and imposes daily remittance fulfillment value limits for certain counterparties under the terms of their respective partnership agreements. See "Business – Operations – Money Transfer Services" on page 102 of this Prospectus. Nonetheless, there can be no assurance that the models and approaches being adopted by the Company to assess and monitor the creditworthiness of the Company's agents and affiliates will be sufficiently predictive, and the Company may be unable to detect and take steps to timely mitigate an increased credit risk.

In the event of an agent or affiliate bankruptcy, the Company may be in the position of creditor, possibly with limited security or financial guarantees of performance, and the Company would therefore be at risk of a reduced recovery. The Company is not insured against credit losses, except for limited coverage in circumstances of theft or fraud. Significant credit losses could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may encounter difficulties in managing the operations of its agents and affiliates effectively.

A portion of the Company's Logistics and Money Transfer Services businesses is conducted through independent agents as well as affiliates that provide the Company's products and services to consumers at their business locations. The Company cannot assure that all of these relationships will be efficiently operated, or that disputes will not arise between the Company and its agents and affiliates, or that the Company's agents and affiliates will not breach their obligations to the Company. In particular, the Company's agents and affiliates may:

- have economic or business interests inconsistent with that of the Company;
- take actions contrary to the Company's instructions or requests or contrary to the Company's objectives or policies (including but not limited to theft or misappropriation);
- be unable or unwilling to fulfill the obligations under the relevant contracts and agreements;
- have financial difficulties; or
- have disputes with the Company relating to the provisions in the contracts and agreements.

If the Company encounters difficulties or has any disputes with its agents and affiliates, the performance of these agents and affiliates will be negatively affected and the Company may not be able to manage their operations effectively. Any of these events may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's businesses are subject to regulation in the Philippines, and any changes in Government policies could adversely affect the Company's operations and profitability.

The Company is subject to a variety of laws and regulations in the Philippines including, among others, those governing freight forwarding, transportation, labor, employment, consumer welfare and anti-money laundering.

To serve as a remittance agent in the Philippines, the Company is required to maintain a license issued by the BSP and to adhere to certain rules and regulations imposed by the BSP under the Manual of Regulations for Non-Bank Financial Institutions ("MORNBFI") and BSP Circular No. 471, series of 2005, despite it not being a BSP-supervised institution. These requirements include, among others, rules and regulations, particularly on customer identification, record keeping and reporting of covered transactions and suspicious transactions. If, for any reason, the terms of the Company's license are materially altered or revoked, the Company's Money Transfer Services business will be adversely affected. There can be no assurance that the Company will be able to comply with all of the ongoing requirements of its remittance license in the future. Moreover, unlike non-bank financial institutions who are subject to additional banking regulations, specifically with respect to the disqualification of directors, officers and employees and BSP audit examination, non-bank remittance agents in the Philippines have thus far been lightly regulated in the Philippines by the BSP insofar as they have only been required to obtain a license from the BSP and are obliged to comply with Anti-Money Laundering Act of 2001. There can be no assurance that the Company will not become subject to stricter regulations and guidelines going forward, including rules imposed by other regulatory authorities in the Philippines, such as the Bureau of Internal Revenue ("BIR"), the Anti-Money Laundering Council (the "AMLC"), and international bodies, such as the Financial Action Task Force. If additional rules or regulations are introduced, the Company may incur substantial compliance and monitoring costs, and if the Company is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties, face disruptions to, or permanently lose its ability to conduct, its operations and face reputational damage, which could materially and adversely affect the Company's business, financial condition and results of operations.

The Company is also subject to the regulations of the Philippine Civil Aeronautics Board (the "CAB" or the "Civil Aeronautics Board"), the Philippine Shippers' Bureau (the "PSB") and the Department of Transportation and Communication, as well as to regulation by local government units, with respect to its freight forwarding and messengerial services. Certain existing laws governing the air freight forwarding and messengerial delivery businesses in the Philippines are beneficial to the Company. For example, existing laws and regulations impose foreign ownership restrictions on the air freight forwarding and messengerial delivery businesses, thereby limiting competition from large international companies. See "Philippine Foreign Exchange and Foreign Ownership Controls" on page 187 of this Prospectus. In addition, because the Company's air freight forwarding and messengerial services are viewed as public utilities, the Secretary of the Department of Labor and Employment in the Philippines has the authority to intervene in the event of a strike staged by the Company's employees and mandate that a settlement be reached. See "Business – Employees" on page 110 of this Prospectus. Any amendment by the Government to rules and regulations (or the interpretation of rules and regulations) that are currently favorable to the Company may result in a material adverse effect on its business, financial condition and results of operations.

The Company is subject to numerous U.S. and international laws and regulations intended to help detect and prevent money laundering, terrorist financing, fraud and other illicit activity. Failure by the Company, its agents and affiliates to comply with these laws and regulations and increased costs or loss of

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

The Company's international remittance services, primarily conducted by the other agents and affiliates, are subject to an increasingly strict set of legal and regulatory requirements intended to help detect and prevent money laundering, terrorist financing, fraud, and other illicit activity. The interpretation of those requirements by judges, regulatory bodies and enforcement agencies changes, often quickly and with little notice. Economic and trade sanctions programs that are administered by the United States Treasury Department's Office of Foreign Assets Control ("OFAC") prohibit or restrict transactions to or from or dealings with specified countries, their governments and, in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. As United States federal and state as well as foreign legislative and regulatory scrutiny and enforcement action in these areas increase, the Company's costs of complying with these requirements will likely increase, perhaps substantially, or the Company's compliance will make it more difficult or less desirable for consumers to use its services, which would have an adverse effect on its revenue and operating profit. Failure of the Company or by its agents and affiliates, over whom the Company has limited legal and practical control, to comply with any of these requirements or their interpretation could result in the suspension or revocation of a license or registration required to provide money transfer, payment or foreign exchange services, the limitation, suspension or termination of services, the seizure of the Company's assets and/or the imposition of civil and criminal penalties, including fines and restrictions on the Company's ability to offer services.

The Company is also subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the United States and similar laws in other countries, such as the Bribery Act in the United Kingdom, which generally prohibit companies and those acting on their behalf from making improper payments to foreign government officials for the purpose of obtaining or retaining business. Some of these laws, such as the Bribery Act, also prohibit improper payments between commercial enterprises. Because the Company's remittance services are offered in over 30 countries and territories around the world, it faces risks associated with FCPA and United Kingdom Bribery Act compliance. Any determination that the Company has violated these laws could have an adverse effect on its business, financial condition and results of operations.

The remittance industry has come under increasing scrutiny from government regulators and others in connection with its ability to prevent its services from being abused by people seeking to defraud others. While the Company believes that its fraud prevention efforts are effective and comply with applicable law, the ingenuity of criminal fraudsters, combined with the potential susceptibility to fraud by consumers during economically difficult times, make the prevention of consumer fraud a significant and challenging problem. The Company's failure to continue to help prevent such frauds and increased costs related to the implementation of enhanced anti-fraud measures, or a change in fraud prevention laws or their interpretation or the manner in which they are enforced, could have an adverse effect on the Company's business, financial condition and results of operations.

The Company faces risks from trade restrictions.

The Company is engaged in the international freight forwarding business to transport cargo worldwide. The Company's international freight forwarding business may be affected by trade restrictions implemented by countries or territories in which the Company's customers are located or in which products of the Company's customers are manufactured or sold. For example, the Company is subject to risks relating to changes in trade policies, tariff regulations, embargoes or other trade restrictions adverse to the business of the Company's customers. Actions by governments that result in restrictions on movement of cargo or otherwise could also affect the Company's ability to carry out its international freight forwarding operations. In addition, international trade and political issues, tensions and conflicts may cause delays and interruptions to cross-border transportation. If the Company is unable to transport cargo to and from countries in a timely manner or at all as a result of any changes in trade restrictions, the Company's business, financial condition and results of operations may suffer a material adverse effect.

Any inability of the Company to secure renewals or new licenses for its money transfer operations may have a material adverse effect on its business, prospects, financial condition and results of operations.

Money transfers and payments to, from, within, or between countries may be limited or prohibited by law. Occasionally the Company's agents, their sub-agents or the Company's affiliates may be required by their regulators to cease offering the Company's services. The Company may in the future have difficulty securing renewals or issuances of new licenses for any number of reasons in geographical areas in which it seeks to expand, which may have a material adverse effect on its business, prospects, financial condition and results of operations.

Risks associated with the Company's money transfer operations outside the Philippines could adversely affect the Company's business, financial condition and results of operations.

Economic or political instability or natural disasters may make money transfers to, from, within, or between particular countries difficult or impossible, such as when banks are closed, when currency devaluation makes exchange rates difficult to manage or when natural disasters or civil unrest make access to agent locations unsafe. These risks could negatively impact the Company's ability to offer its international remittance services, or to make payments to or receive payments from international agents, and could adversely affect the Company's business, financial condition and results of operations. In addition, if any of the Company's overseas agents or affiliates are the subject of regulatory actions in their home jurisdictions or elsewhere, the Company could suffer reputational damage even if it has no involvement in the matter, particularly if the agent or affiliate involved is associated with the "LBC" brand. Such reputational damage could have a material adverse effect on the Company's business, prospects, financial condition, and results of operations. See "Risk Factors – Risks Relating to the Company – If consumer confidence in the Company and the "LBC" brand deteriorates, the Company's business, financial condition and results of operations could be adversely affected" on page 36 of this Prospectus.

The Company is controlled by the Araneta Family, through LBC Development Corporation, whose interests may not be the same as those of other shareholders.

As of the date of this Prospectus, members of the Araneta Family, through LBC Development Corporation, beneficially owns a total of 1,205,974,632 shares in the Company, representing 84.57% of the Company's total issued and outstanding shares. Assuming the sale of 69,101,000 Offer Shares, the Araneta Family will have effective interest of 79.87% of the Company's outstanding Common Shares (including directly-owned and indirectly-owned Common Shares) upon the completion of the Offer. With such effective interest, the Araneta Family will continue to be able to elect members of the Board and pass shareholder resolutions (including special resolutions), both of which under the By-laws generally require a majority vote by its shareholders (or a two-thirds majority in the case of special resolutions). Accordingly, the Araneta Family exercises control over major policy decisions of the Company, including its overall strategic and investment decisions, dividend plans, issuance of securities, adjustments to its capital structure, mergers, liquidation or other reorganization and amendments to its Articles of Incorporation and By-laws. If the interests of the Araneta Family conflict with the interests of other shareholders of the Company, there can be no assurance that the Araneta Family will not cause the Company to take action in a manner which might differ from the interests of other shareholders.

The placing of LBC Bank under receivership had and might have material adverse effects on the Company. In addition, the potential claims of (i) ₱333 million against LBC Development Corporation, (ii) ₱1,796 million against LBC Express, Inc., and (iii) ₱245 million against LBC Systems, Inc., a subsidiary of LBC Express, Inc., by the PDIC, may also have a material adverse effect on the Company.

On September 9, 2011, the Monetary Board of the Bangko Sentral ng Pilipinas ("BSP"), through Monetary Board Resolution No. 1354, resolved to close LBC Bank, a company commonly controlled with LBC Express, Inc. by the Araneta Family, and placed LBC Bank's assets and affairs under receivership. The Philippine Deposit Insurance Company ("PDIC") was then appointed as the receiver of LBC Bank and was charged, along with the BSP, with investigating the failure. According to news reports, the investigations conducted by the BSP and the PDIC indicated that, from as early as 2008, LBC Bank had allegedly been recording substantial cash advances and attributing them to LBC Express, Inc., ostensibly to hasten LBC Express, Inc.'s crediting of Overseas Filipino Worker ("OFW") remittances to recipients in the Philippines. At the time LBC Bank was placed under receivership, its financials showed approximately over ₱6 billion in deposit liabilities. Various unidentified sources have claimed that these advances were anywhere from excessive and unsubstantiated to fictitious and fraudulent, resulting in LBC Bank recording inflated revenues and assets when in reality they were encountering financial difficulties. LBC Express, Inc. has since denied all allegations of wrongdoing in relation to such matters.

The closure of LBC Bank in 2011 had a material adverse effect on LBC Express, Inc.'s results of operations. In 2012, a Singapore affiliate of LBC Express, Inc. was denied its application for renewal of its license to conduct remittance operations there; although there is no specific proof, the Company believes that the non-renewal was mainly attributable to the negative implications of LBC Bank's closure in the Philippines. LBC Express, Inc.'s revenue and profits in the remittance business were also materially and adversely affected in the first half of 2012 because of a slowdown caused in part by negative perception of the "LBC" brand resulting from LBC Bank's failure, the subsequent non-renewal of the Singapore affiliate's license and the loss of approximately ₱295 million in LBC Express, Inc.'s funds held with LBC Bank, which were not recoverable following LBC Bank's receivership. In addition, LBC Express, Inc. also incurred substantial legal expenses in internally investigating the cause for the non-renewal and discussing the non-renewal with the relevant authorities. There can be no assurance that similar instances of negative reputational effects to the Company or its various branches, affiliates and partners will not occur in the future. The Philippine House of Representatives also investigated the closure of LBC Bank. Although these investigations did not result in any resolutions, legislation or formal hearings to date, there can be no assurance that such inquiries and investigations will not be re-initiated in the future.

Despite the fact that there have been no resolutions on the foregoing matters, and even if, to date, there have been no actions or proceedings in relation to the circumstances surrounding LBC Bank's practices and closure filed against LBC Express, Inc., there can be no assurance that (i) the BSP in the exercise of its regulatory powers will not formally impose administrative sanctions against LBC Express, Inc.; or (ii) the PDIC, in the exercise of its powers as a regulator and statutory receiver, will not formally impose similar sanctions or pursue or maintain any claims, whether extrajudicial or judicial, against LBC Express, Inc.. Any such actions or proceedings, depending on the supporting evidence, may also allege unsound banking practices as well as complicity on the part of LBC Express, Inc. in any wrongdoing by LBC Bank, and may involve recovery of damages or various forms of restitution from LBC Express, Inc. In the event that any such proceedings or actions are brought forth in the future, these may have a material adverse effect on the Company's business reputation, financial condition and results of operations.

In addition, according to LBC Development Corporation, in a letter dated March 27, 2014, the PDIC demanded that LBC Asia Pacific, the name of a division within LBC Development Corporation, pay for alleged outstanding obligations (for unpaid service income and charges) to LBC Bank amounting to approximately ₱303 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Development Corporation pay to LBC Bank the amount of ₱30 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Development Corporation believes, and has denied to the Company, that it owes LBC Bank any such amounts. While the Company believes that PDIC's claims against LBC Development Corporation, even if successfully proven, would have no direct financial impact on the Company, there can be no assurance that these PDIC claims will not cause further reputational harm to the Company and ultimately have a material adverse effect on its financial performance and prospects.

LBC Express, Inc. has likewise informed the Company that in a letter dated March 17, 2014, the PDIC demanded that LBC Express, Inc. pay for alleged outstanding obligations (for unpaid service income and charges) to LBC Bank amounting to approximately ₱1,769 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Express, Inc. pay to LBC Bank the amount of approximately ₱27 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Express, Inc. believes and has denied to the Company, that it owes LBC Bank any such amounts. If the PDIC claims are successfully proven, it may have a material adverse effect on the Company's financial performance and prospects, and may cause further reputational harm to the "LBC" brand.

Finally, LBC Systems, Inc., a subsidiary of LBC Express, Inc., informed the Company that in a letter dated March 24, 2014, the PDIC demanded that LBC Systems, Inc. pay for the alleged outstanding advances from LBC Bank (to fund its remittance operations) to LBC Bank amounting to approximately ₱180 million. In another letter dated March 29, 2014, the PDIC also demanded that LBC Systems, Inc. pay to LBC Bank the amount of approximately ₱65 million due to an alleged unwarranted reduction of the advances it made from LBC Bank. LBC Systems, Inc. believes and has denied to the Company, that it owes LBC Bank any such amounts. If the PDIC claims are successfully proven, it may have a material adverse effect on the Company's financial performance and prospects, and may cause further reputational harm to the "LBC" brand.

RISKS RELATING TO THE PHILIPPINES

Any political instability in the Philippines may adversely affect the Company's business, results of operations or financial condition.

The Philippines has from time to time experienced severe political and social instability, including acts of political violence. In 2001, allegations of corruption against former President Joseph Estrada resulted in protracted televised impeachment proceedings against him. These proceedings were followed by widespread street demonstrations and a public withdrawal of support for Estrada by the military that eventually forced Estrada to resign. On July 27, 2003, over 270 military officers and soldiers conducted an unsuccessful coup d'état against Estrada's successor, President Gloria Macapagal-Arroyo, due to allegations of corruption. After the May 2004 elections, President Arroyo was re-elected and persistent accusations of corruption and electoral fraud were made against Arroyo during her second term. On February 24, 2006, another attempted coup d'état led President Arroyo to issue Proclamation 1017, which was criticized as a virtual declaration of martial law and portions of it were later declared unconstitutional by the Supreme Court of the Philippines. On November 29, 2007, Senator Antonio Trillanes IV, a leader of the 2003 coup d'état who was elected to the Senate while in jail, led an armed occupation by military officers and soldiers of a luxury hotel in the Makati financial district and publicly called for President Arroyo's ouster. Senator Trillanes and his troops later surrendered. On November 23, 2009, in the southern island of Mindanao's Maguindanao province, approximately 100 armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them, and motorists whose vehicles were behind the Mangudadatus' vehicles. This was the bloodiest incident of political violence and of violence directed at journalists in the

Philippines' recent history and President Arroyo sent hundreds of troops to and declared martial law over Maguindanao after the incident.

Further, on December 12, 2011, the House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines. The impeachment complaint accused Corona of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of laws and rules applicable to all public employees and officials. The trial of Chief Justice Corona began in January 2012 and ended in May 2012, with Corona found guilty with respect to his failure to disclose to the public his statement of assets, liabilities, and net worth, and was impeached. In July 2013, a major Philippine newspaper exposed a scam relating to the diversion and misuse of the Priority Assistance Development Fund by some members of Congress through pseudo-development organizations headed by Janet Lim Napoles. As a result of this exposé, a number of investigations, including one in the Senate, have been launched to determine the extent of the diversion of the Priority Assistance Development Fund and the Government officials and the private individuals responsible for the misappropriation of public funds. On September 16, 2013, cases of plunder and malversation of public funds were filed with the Office of the Ombudsman against Janet Lim Napoles, three Senators, a few members of the House of Representatives and other Government personnel. 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.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. Moreover, isolated bombings have taken place in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. On January 25, 2011, a bomb was detonated on a bus in the northern city of Makati, Metro Manila, killing five persons. Although no one has claimed responsibility for these attacks, it is believed that the attacks are the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

The Government of the Philippines and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army ("NPA"). On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On December 16, 2011, five AFP soldiers were killed in an armed encounter with NPA members. In August 2013, a series of bombings occurred in the cities of Cagayan de Oro and Cotabato City, as well as other areas in Maguindanao and North Cotabato provinces, all located in Mindanao, and in September 2013, armed encounters took place between the MNLF and the AFP in Zamboanga City in Mindanao, with a number of civilians being held as hostages. On January 25, 2015, 44 members of the Special Action Force ("SAF") of the Philippine National Police ("PNP") were killed in an armed encounter between the SAF and the MILF and Bangsamoro Islamic Freedom Fighters ("BIFF"). These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the AFP, which could destabilize parts of the country and adversely affect the country's economy, as well as the Company's Logistics and Money Transfer operations.

Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines formally filed a request for international arbitration with the International Tribunal for the Law of the Sea to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected this request and refused to submit for arbitration. On July 12, 2016, the Permanent Court of Arbitration ruled in favor of the Philippines against China over territorial disputes in the West Philippine Sea. The arbitral tribunal unanimously ruled, among others, that (a) China has "no historical rights" to the resources within the sea areas falling within the "nine-dash line;" (b) Chinese reclamation activity in the West Philippine Sea has caused irreparable damage to the environment, obligating the Chinese government to stop further activities in the West Philippine Sea; and (c) China had violated the Philippines' sovereign rights in its exclusive economic zone by interfering with Philippine fishing and petroleum exploration, constructing artificial islands, and failing to prevent Chinese fishermen from fishing in the zone. However, China has said it will not recognize the ruling. With no formal enforcement mechanism in place, the territorial dispute in the West Philippine Sea remains contentious.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino-Muslims and 10 Malaysian policemen army since March 1, 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

On May 9, 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two countries in recent months.

On 30 March 2014, the Philippines invoked the compulsory settlement of dispute clause under the U.N. Convention on the Law of the Seas and submitted a case to the Permanent Court of Arbitration in The Hague against China over the territorial dispute in the West Philippine Sea. On July 12, 2016, the international tribunal issued a decision stating among others that there was no legal basis for China to claim historic rights to resources within the sea-areas falling within the nine-dash line and that China violated the Philippines' sovereign rights in its exclusive economic zone by: a) interfering with Philippine fishing and petroleum exploration; b) constructing artificial islands; and c) failing to prevent Chinese fishermen from fishing in the zone. However, the international tribunal found that it lacked jurisdiction to consider the implications of a stand-off between Philippine marines and Chinese naval and law enforcement vessels holding that the dispute involved military activities and was therefore excluded from compulsory settlement. However, as of date, China has yet to recognize and comply with the rulings of the international tribunal.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or OFW permits. Any impact from these disputes in countries in which the Company has operations could materially and adversely affect the Company's business, financial condition and results of operations.

Investors may face difficulties enforcing judgments against the Company.

It may be difficult for investors to enforce judgments against the Company obtained outside of the Philippines. In addition, all of the directors and officers of the Company are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general matter, unless there is evidence that: (i) the foreign court rendering judgment did not have jurisdiction; (ii) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (iii) the party against whom enforcement is sought did not receive notice; or (iv) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. The SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two independent directors or such number of independent directors as is equal to 20% of its board of directors, whichever is lower, but in no case less than two. The Company historically has had no independent directors and, as of the date of this Prospectus, has two independent directors. Many other countries require significantly more independent directors. Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

The sovereign credit ratings of the Philippines may adversely affect the Company's business.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by each of Standard & Poor's, Fitch Ratings and Moody's to investment-grade, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

The occurrence of natural catastrophes could adversely affect the Company's business, financial condition or results of operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the Company's business operations. In particular, damage caused by natural catastrophes could result in cancellation of flights, temporary closure of major roads and highways or other disruptions to transportation, which would prevent the Company from delivering its cargo and/or remittances in a timely manner or at all. Moreover, such natural catastrophes could cause customers to reduce shipments, or could increase the costs of operating the Company's business. Although the terms and conditions of the Company's delivery agreements with its customers limits its liability for delays and losses as a result of *force majeure* events, and although the Company purchases general insurance coverage in amounts it believes consistent with its risk of loss and the customary practice in the industry, the Company does not purchase business interruption insurance for any loss of profits resulting from such natural catastrophes. See "Risk Factors – Risks Relating to the Company – The Company may not have adequate insurance to cover all potential liabilities or losses" on page 39 of this Prospectus. There can be no assurance that the Company is fully capable to deal with such natural catastrophes and that the insurance coverage it currently maintains will fully compensate it for all the damages and economic losses resulting from these catastrophes.

Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Company's business.

The Company derives a portion of its income from overseas in currencies other than the Peso. Accordingly, any significant change in exchange rates between the Peso and the other currencies in which the Company derives its revenue could have a material impact on the Company's statement of financial position. The value of the Philippine Peso against the U.S. dollar has experienced volatility in recent years, with a depreciating trend in the past year. As of September 30, 2016, the Peso had depreciated by 3.1% to ₱48.50 per U.S.$1.00 from ₱47.06 per U.S.$1.00 as at December 29, 2015. Because of this volatility in the value of the Peso, the BSP may intervene in the foreign exchange market to curb the negative effects of a strong currency. Reduced risk appetite for emerging market assets could also result in a decline in value of the Peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the Peso could result in volatility in the value of the Peso against the U.S. dollar and other currencies. There can be no assurance that the value of the Peso will not appreciate or depreciate significantly against the U.S. dollar or other currencies in the future, and significant fluctuations could materially and adversely affect the Company's business, financial condition and results of operations.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;

- understand and be familiar with the behavior of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

There can be no guarantee that the Offer Shares will be listed on the PSE.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Settlement Date, which is expected to be on or about March 30, 2017. Because the Listing Date is scheduled to occur after the Offer Settlement, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Delays in the admission and the commencement of trading in shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

There may be a limited market for the Common Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

The Common Shares are listed on the PSE. Trading volumes on the PSE have historically been significantly smaller than on major securities markets in more developed countries and have also been highly volatile. As of the date of this Prospectus, LBC Development Corporation beneficially owns 84.57% of the Company's issued and outstanding Common Shares and, following the Offer, will beneficially own 79.87% of the Company's issued and outstanding Common Shares. As there may be limited liquidity in the Common Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price will be determined through a book-building process and not by reference to the historical trading price of the Common Shares. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall or even lose all of its value. The market price of Common Shares could be affected by several factors, including:

- general market, political and economic conditions;

- changes in earnings estimates and recommendations by financial analysts;

- changes in market valuations of listed shares;
- the market value of the assets of the Company;
- changes to Government policy, legislation or regulations;
- negative publicity or reports with respect to the Company; and
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

Future sales of Common Shares in the public market could adversely affect the prevailing market price of the Common Shares and shareholders may experience dilution in their holdings.

In order to finance the expansion of the Company's business and operations, the Board will consider the funding options available to them at the time, which may include the sale of additional Common Shares from the treasury or the issuance of new Common Shares. If additional funds are raised through the sale or issuance of new equity or equity-linked securities by the Company other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Offer Shares. Furthermore, the market price of the Common Shares could decline as a result of future sales of substantial amounts of Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price it deems appropriate.

The Company's shares are subject to Philippine foreign ownership limitations.

Under Republic Act No. 776, 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.

Moreover, Circular No. 2001-01 issued by the Department of Transportation and Communications restricts the operation of private express and/or messengerial delivery services to Filipino citizens or corporations or partnerships duly registered with the SEC, at least 60% of whose capital stock or shares are owned by Filipino citizens.

Considering the foregoing, because the Company, through its subsidiary LBC Express, Inc., is engaged in domestic air freight forwarding and the operation of private express and messengerial delivery services, foreign ownership in the Company is limited to a maximum of 40% of the Company's issued and outstanding capital shares. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. These restrictions may adversely affect the liquidity and market price of the Common Shares to the extent international investors are not permitted to purchase Common Shares in normal secondary transactions.

Shareholders may be subject to limitations on minority shareholders rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries.

The Corporation Code, however, provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock is required. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

Investors may incur immediate and substantial dilution as a result of purchasing Offer Shares.

The Offer Price of the Common Shares may be substantially higher than the net tangible book value of net assets per share of the Company's outstanding Common Shares. Therefore, purchasers of Offer Shares may experience immediate and substantial dilution and the Company's existing shareholders may experience a material increase in the net tangible book value of net assets per share of the Common Shares they own. See "Dilution" on page 62 of this Prospectus.

Future changes in the value of the Philippine Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Common Shares and any dividends.

The price of the Common Shares is denominated in Philippine Pesos. Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Common Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by the Company on, and the Peso proceeds received from any sales of, the Offer Shares, as well as the book value of foreign currency assets, and income and expenses and cash flows in the Company's financial statements.

LBC Express Holdings, Inc. may be unable to pay dividends on the Common Shares.

There is no assurance that LBC Express Holdings, Inc. can or will declare dividends on the Common Shares in the future. Future dividends, if any, will be at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and loan covenants, including loan obligations and loan covenants of its subsidiaries, and other factors the Board may deem relevant. See "Dividends and Dividend Policy" on page 58 of this Prospectus.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications.

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes and the markets in which the Company develops its projects, including statistics relating to market size, is derived from various Government and private publications. This Prospectus also contains industry information based on publicly available third party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts and market research, including those contained or extracted herein, have not been independently verified by the Company and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

Neither the section of this Prospectus entitled "Industry" nor the Transport Intelligence or Ken Research reports were independently verified by the Company or the Sole Underwriter, and Transport Intelligence and Ken Research may not be independent.

The section of this Prospectus entitled "Industry" was prepared by or based on reports by Transport Intelligence and Ken Research dated January 30, 2014 and January 30, 2014, respectively, to provide an overview of the logistics and remittance industries, respectively, in the Philippines. Neither this section nor the Transport Intelligence and Ken Research reports were prepared or independently verified by the Company or the Sole Underwriter, or any of their respective affiliates or advisors. The information contained therein may not be consistent with other information found elsewhere regarding the Philippine logistics and remittance industries. The report and the section of this Prospectus entitled "Industry" represent the opinions of Transport Intelligence and Ken Research and not those of the Company or the Sole Underwriter, or any of their respective affiliates or advisors. Much of the information set out therein is based on estimates, judgments, opinions and beliefs of Transport Intelligence and Ken Research and should be regarded as indicative only and treated with the appropriate caution. While Transport Intelligence and Ken Research are not affiliated with the Company, they were commissioned by the Company to draft such section and reports and were compensated for this work. In addition, Transport Intelligence and Ken Research each interviewed the Company's management in gathering facts, formulating assumptions and drawing conclusions in their respective reports. Accordingly, Transport Intelligence and Ken Research may not be independent.

USE OF PROCEEDS

The Company estimates that the net proceeds from the Offer, based on an Offer Price of up to ₱17.00 per Offer Share, will be approximately ₱1,109.1 million after deducting the applicable underwriting fees and commissions and expenses for the Offer payable by the Company.

Based on the maximum Offer Price of ₱17.00 per Offer Share, the total proceeds from the Offer, the estimated costs and expenses for the Offer and the estimated net proceeds from the Offer will be:

	Primary Offer (₱)	**Secondary Offer (₱)**
Total proceeds from the Offer	**170,000,000**	**1,004,717,000**
Underwriting and selling fees for the Offer Shares (including fees to be paid to the Underwriter)	4,250,000	25,120,000
SEC registration, filing and research fees	908,857	
PSE listing and processing fee	24,239,713	
Taxes to be paid by the Company	50,000	
Estimated professional fees (including legal, accounting, and financial advisory fees)	10,170,000	
Others	850,000	
Total estimated expenses	40,418,570	25,120,000
Estimated net proceeds from the Offer	129,581,430	979,597,000

The Company intends to use the net proceeds from the Offer of the Primary Offer Shares as follows:

Use of Proceeds	**Amount (in ₱)**	**Time Frame**
Strategic Expansion	70-100 million	Year round 12 month period
General Corporate Purposes	50-70 million	2nd quarter to 4th quarter of 2017
Working Capital	80 -100 million	2nd quarter to 4th quarter of 2017

Strategic Expansion

The Company historically builds approximately 60 to 80 branches every year, and for 2017 the company is targeting to build 70 to 100 branches. These branches are typically located in mall developments, urbanized areas as well as developing locations across the country. Approximately 60% of the new branches are expected to be in Luzon, of which 30% will be in National Capital Region and 15% spread between North Luzon and South Luzon. The remainder of the new branches will be located in Visayas and Mindanao. Increased commercial traffic in urbanized locations is the key driver for increasing branch footprint in the National Capital Region, while increased economic and regional fundamentals drive the growth for provincial sites. The average cost of construction for each new branch is between ₱800,000.00 to ₱1 Million.

General Corporate Purposes

The Company intends to expand its SAP software usage and to procure additional hardware such as hand-held units.

Working Capital Requirements

The Company intends to upgrade its fleet of four-wheel and two-wheel vehicles by acquiring approximately 70 more motorcycles and over 300 more vans/trucks.

The net proceeds from the Offer of the Primary Offer Shares is expected to be disbursed as early as the second quarter of 2017 and up to fourth quarter of 2017. In the event that less than the estimated net proceeds are obtained, the priority for the use of the proceeds will be for strategic expansion, and then for general corporate purposes, and finally for working capital purposes.

The Company does not intend to use the proceeds of the offer to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

The Company undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. However, the Company’s plans may change, based on various factors including changing macroeconomic and market conditions. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company’s management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans. In the event of any substantial deviation/adjustment in the planned uses of proceeds, the Company shall inform the SEC, the PSE and its stockholders in writing at least 30 days prior to the implementation of such deviation or adjustments. In addition, the Company shall submit through the PSE's Online Disclosure System the following disclosures to ensure transparency in the use of proceeds:

1. Any disbursement made in connection with the planned use of proceeds from the Offer;

2. A Quarterly Progress Report on the application of the proceeds from the Offer or on before the first 15 days of the following quarter;

3. An Annual Summary of the application of proceeds on or before January 31 of the year following the initial public offering; and

4. A Certification of the Company’s external auditor on the accuracy of the information reported by the Company to the PSE in the quarterly and annual reports.

DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries depending on its business requirements.

The Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend History

Since the Corporate Reorganization, no dividends have been declared by the Company.

Dividend Policy

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

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

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

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

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

DETERMINATION OF THE OFFER PRICE

The Offer Price will be determined through a book-building process and discussions between the Company, and the Sole Underwriter.

The factors considered in determining the Offer Price are, among others, the Company's ability to generate earnings and cash flow, its short and long term prospects, the level of demand from institutional investors, overall market conditions at the time of launch and the market price of listed comparable companies, and not by reference to the historical trading price of the Common Shares. Investors should not rely on the historical market price of the Common Shares on the PSE as an indicator of the value of the Common Shares. The Offer Price may not have any correlation to the actual book value of the Common Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, total equity and capitalization as of December 31, 2015, and as adjusted to reflect the sale of the Offer Shares at the Offer Price of ₱17.00 per Offer Share. The table should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included in this Prospectus. Other than as described below, there has been no material change in the Company's capitalization since December 31, 2015.

	Actual as of September 30, 2016	After Giving Effect to the Offer subsequent to September 30, 2016(1)
	(₱ in millions)	(₱ in millions)
	(Unaudited)	(Unaudited)
Current Liabilities		
Notes Payable	755,705,229	1,479,455,229
Equity:		
Share capital	1,425,865,471	1,435,865,471
Other reserves		119,500,000
Retained earnings	801,845,731	801,845,731
Accumulated comprehensive income (loss)	374,308,411	618,012,254
Non-controlling interests	(47,391,765)	(47,391,765)
Total equity	2,554,627,848	2,927,831,691
Total capitalization	3,310,333,077	4,407,286,920

DILUTION

The book value attributable to the Company's shareholders, based on the Company's audited financial statements as of September 30, 2016 was ₱2,798.33 million, while the book value per Common Share was ₱1.96. The book value attributable to the Company's Common Shareholders represents the amount of the Company's total equity attributable to equity holders of the Company. The Company's book value per share is computed by dividing the book value attributable to the Company's shareholders by the equivalent number of Common Shares outstanding.

Without taking into account any other changes in such book value after September 30, 2016 other than the sale of 69,101,000 Offer Shares at the Offer Price of ₱17.00 per Offer Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's net book value as of September 30, 2016 would increase to ₱2,927.91 million, or ₱2.03 per Common Share. This represents an immediate increase in net book value of ₱0.08 per Common Share to existing shareholders, and an immediate dilution of ₱14.97 per Common Share to purchasers of Offer Shares at the Offer Price of ₱17.00 per Offer Share.

Dilution in pro forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro forma book value per share immediately following the completion of the Offer. The pro forma book value per share immediately following the completion of the Offer represents the book value per share as of September 30, 2016 after giving effect to the equity transactions subsequent to September 30, 2016 and the Offer.

The net tangible book value[1] per share before and after the distribution is ₱2,532.92 million and ₱2,662.50, respectively.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱17.00 per Offer Share:

Offer Price per Offer Share	₱17.00
Book value per Common Share as of September 30, 2016	₱1.96
Difference in Offer Price per Offer Share and book value per Offer Share as of September 30, 2016	₱15.04
Pro forma book value per Common Share immediately following the completion of the Offer	₱2.03
Dilution in Pro forma book value per Common Share to investors of the Offer Shares	₱14.97

The following table sets forth the shareholdings and percentage of Common Shares outstanding of existing and new shareholders of the Company immediately after completion of the Offer of 69,101,000 Offer Shares:

	Common Shares	
	Number	**%**
Existing shareholders	1,366,764,471	95.19%
New investors	69.101,000	4.81%
Total	1,435,865,471	**100.0**

1 This refers to the total assets (exclusive of copyrights, patents, goodwill, research and development costs, pre-operating costs, and similar intangible assets) minus total liabilities.

SELECTED FINANCIAL AND OPERATING INFORMATION

The following tables set forth selected consolidated financial information for the Company and should be read in conjunction with the independent auditors' reports and the Company's audited consolidated financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The consolidated financial statements of the Company and its subsidiaries as at December 31, 2014 and 2015 and their financial performance and their cash flows for the year then ended were audited by SGV & Co. The financial information presented below as of and for the nine months ended September 30, 2015 and 2016 were derived from the unaudited interim condensed consolidated financial statements of the Company prepared by the Company's management.

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the consolidated financial statements and the related notes elsewhere in this Prospectus.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30		**For the years ended December 31**		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Service Fees	5,710.5	6,359.8	6,087.4	7,056.2	7,686.5
Cost of Services	3,838.3	4,080.9	(4,058.1)	(5,282.5)	(5,119.5)
Gross Profit	1,872.2	2,278.9	2,029.3	1,771.7	2,567.0
Operating Expenses	(1,355.2)	(1,425.8)	(1,506.1)	(1,602.6)	(1,947.8)
Other Income (Charges)	53.5	41.6	24.4	31.3	67.7
Income before Income Tax	570.5	894.7	547.6	200.4	686.9
(Provision For) Benefit From Income Tax	(181.2)	(274.2)	7.0	(57.0)	(270.6)
Net Income	**389.3**	**620.5**	**554.6**	**143.4**	**416.3**
Other comprehensive income (loss)	(52.4)	306.4	223.2	3.4	(97.9)
Total comprehensive income	**336.9**	**926.9**	**777.8**	**146.8**	**318.4**
Net income attributable to:					
Shareholders of LBC Express Holdings, Inc.	407.0	627.3	557.10	156.8	439.9
Non-controlling interests	(17.7)	(6.8)	(2.5)	(13.4)	(23.5)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in (₱ millions)	As of September 30 2016 unaudited	As of December 31 2014 audited	As of December 31 2015 audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,127.5	527.9	979.1
Trade and other receivables	944.5	893.9	1,025.1
Due from related parties	2,019.4	1,533.6	1,763.0
Available-for-sale investments	250.4	-	-
Prepayments and other assets	299.0	269.4	443.3
Total Current Assets	4,640.8	3,224.8	4,210.5
Noncurrent Assets			
Property and equipment	790.2	636.9	763.0
Intangible assets	263.4	256.5	276.4
Available-for-sale investments	516.7	276.9	212.6
Deferred tax assets	247.0	256.9	225.7
Security deposits	211.1	172.8	209.9
Other noncurrent assets	61.9	55.4	61.8
Total Noncurrent Assets	2,090.3	1,655.4	1,749.4
Total Assets	**6,731.1**	**4,880.2**	**5,959.9**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,287.1	1,564.5	1,830.2
Current portion of the notes payable	755.7	714.8	1,040.6
Due to related parties	25.6	183.2	20.0
Transmissions liability	347.8	359.0	508.1
Income tax payable	197.3	59.0	43.1
Current portion of lease liabilities	41.9	9.3	130.7
Total Current Liabilities	2,655.4	2,889.8	3,572.7
Noncurrent Liabilities			
Retirement benefit liability	682.3	541.9	641.8
Lease liabilities	78.2	122.6	74.2
Notes payable – net of current portion	723.8	-	-
Other non-current liabilities	36.8	-	43.5
Total Noncurrent Liabilities	1,521.1	664.5	759.5
Total Liabilities	**4,176.5**	**3,554.3**	**4,332.2**
Equity			
Equity attributable to shareholders of the parent company			
Capital stock	1,425.9	40.9	1,425.9
Additional paid-in capital	-	71.1	-

	As of September 30	As of December 31	
	2016	**2014**	**2015**
Amounts in (₱ millions)	unaudited	audited	audited
Retained earnings	801.8	133.9	174.5
Accumulated comprehensive income (loss)	374.3	164.7	68.4
Equity reserve	-	929.2	-
Non-controlling interests	(47.4)	(13.9)	(41.1)
Total Equity	2,554.7	1,325.9	1,627.7
Total Liabilities and Equity	**6,731.1**	**4,880.2**	**5,959.9**

SUMMARY CASH FLOW INFORMATION

	For the nine months ended September 30		For the years ended December 31		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Net cash provided by operating activities	338.8	259.5	297.1	83.9	596.8
Net cash used in investing activities	(491.0)	(454.8)	(245.4)	(427.7)	(1,722.2)
Net cash generated from (used in) financing activities	490.8	350.0	(58.3)	373.9	1,567.0
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.7)	(6.3)	0.1	(11.6)	9.6
Net increase (decrease)in cash and cash equivalents	334.9	148.4	(6.5)	18.5	441.6
Cash and cash equivalents					
Beginning of year/period	527.9	979.1	515.9	509.4	527.9
End of year/period	862.7	1,127.5	509.4	527.9	979.1

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

The consolidated financial statements of the Company and its subsidiaries as at December 31, 2014 and 2015 and their financial performance and their cash flows for the year then ended were audited by SGV & Co. The financial information presented below as of and for the nine months ended September 30, 2015 and 2016 were derived from the unaudited interim condensed consolidated financial statements of the Company prepared by the Company's management.

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

DESCRIPTION OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME LINE ITEMS

The following table sets forth details for the Company's service revenues, cost of services, gross profit, net income and other income line items for the periods indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the nine months ended September 30		**For the years ended December 31**		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Service Fees	5,710.5	6,359.8	6,087.4	7,056.2	7,686.5
Cost of Services	3,838.3	4,080.9	(4,058.1)	(5,282.5)	(5,119.5)
Gross Profit	1,872.2	2,278.9	2,029.3	1,771.7	2,567.0
Operating Expenses	(1,355.2)	(1,425.8)	(1,506.1)	(1,602.6)	(1,947.8)
Other Income (Charges)	53.5	41.6	24.4	31.3	67.7
Income before Income Tax	570.5	894.7	547.6	200.4	686.9
(Provision For) Benefit From Income Tax	(181.2)	(274.2)	7.0	(57.0)	(270.6)
Net Income	**389.3**	**620.5**	**554.6**	**143.4**	**416.3**
Other comprehensive income (loss)	(52.4)	306.4	223.2	3.4	(97.9)
Total comprehensive income	**336.9**	**926.9**	**777.8**	**146.8**	**318.4**
Net income attributable to:					
Shareholders of LBC Express Holdings, Inc.	407.0	627.3	557.10	156.8	439.8
Non-controlling interests	(17.7)	(6.8)	(2.5)	(13.4)	(23,5)

<u>For the nine months ended September 30, 2016 compared with the nine months ended September 30, 2016</u>

Service Fees

The Company's service revenues increased by 11.4% to ₱6,360 million for the nine-month period ended September 30, 2016 from ₱5,711 million for the period ended September 30, 2016, primarily due to the increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales by 10.5% and 34.1%, respectively.

Cost of Services

Cost of services improved in percentage to revenue by 3% to 64.2% for the nine-month period ended September 30, 2016 from 67.2% million for the period ended September 30, 2015.

Favorable cost ratio resulted from the lower average freight rates of major carrier for the utilization of mid-day flights and maximizing the use of sea carrier with lower rates.

Gross Profit

Gross profit increased by 21.7% to ₱2,279 million for the nine-month period ended September 30, 2016 from ₱1,872 million for the nine-month period ended September 30, 2015, primarily due to the increase in logistic segment and improvement in freight charges.

Operating Expenses

Operating expenses increased by 5.2% to ₱1,426 million for the nine-month period ended September 30, 2016 from ₱1,355 million for the nine-month period ended September 30, 2015, primarily due to higher provisions for claims and losses which are estimated in 2016 at 4% of corporate revenue from 2% of corporate revenue recognized in 2015.

Software amortization also increased as a result of reclassification from development in progress to depreciable asset (software) account amounting to ₱198 million in 2016 and ₱14 million at the end of 2015. There are also ₱14 million aggregate additions to vehicle, leasehold improvements, computer equipment and furniture and fixtures for the nine-month period which contributed to higher depreciation.

Commission expense related to agents also increased attributable to additional box distributor agents in the Middle East.

Other Income (Charges)

Other income of the Company decreased to ₱41.7 million for the nine-month period ended September 30, 2016 from ₱53.5 million for the nine-month period ended September 30, 2015 due to lower realized/unrealized foreign currency gain by 9% and higher interest expense by 39%.

Income before income tax

Income before income tax increased by 57% to ₱895 million for the nine-month period ended September 30, 2016 from ₱571 million for the nine-month period ended September 30, 2015, primarily due to improvement in revenue and cost of services.

<u>For the year ended December 31, 2015 compared with the year ended December 31, 2014</u>

Service Fees

The Company's service revenues increased by 9% to ₱7,686.5 million for the year ended December 31, 2015 from ₱7,056.2 million for the year ended December 31, 2014, primarily due to an increase in revenues from the Logistics segment attributable to growth in both retail and corporate sales.

Logistics

Revenues from the Logistics segment grew by 11% to ₱6,290.3 million for the year ended December 31, 2015 from ₱5,641.9 million for the year ended December 31, 2014, primarily due to a growth in the volume of courier services rendered. The growth in volume of services was mainly attributable to the horizontal growth of the Company, evidenced by the addition of 94 new branches in the Philippines and one new branch in the Middle East. This growth also resulted in an incremental increase in the Company's volumes from cargo forwarding services during the year.

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

Cost of Services

Cost of services improved by 3% to ₱5,119.5 million for the year ended December 31, 2015 from ₱5,284.5 million for the year ended December 31, 2014, primarily due to one-off transactions incurred in prior year.

In 2014, the Company spent an estimate of ₱100-million freight and trucking cost for the donations to the victims of typhoon Yolanda which occurred in November 2013. Majority of donations were from international affiliates, in which the transport fees were shouldered. Further, the impact of port congestion last year which is due to government regulation for truck ban in city of Manila is estimated at ₱250.0 million.

The Company implemented the Voluntary Early Retirement Program (VERP) in 2014 which resulted to severance expense amounting to ₱150.0 million. Noted decrease in salaries and benefits for 2015 is 5%.

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

Gross Profit

Gross profit increased by 45% to ₱2,566.9 million for the year ended December 31, 2015 from ₱1,771.7 million for the year ended December 31, 2014, primarily due to the increase in volume and rate of air and courier services and improvement in costs of delivery, salaries and benefits and depreciation expenses.

Operating Expenses

Operating expenses increased by 22% to ₱1,947.8 million for the year ended December 31, 2015 from ₱1,602.6 million for the year ended December 31, 2014.

In 2015, the Company entered into an agreement with IBM for the rental of cloud server and PLDT for use of network infrastructure. Total expense incurred from these transactions is ₱38.3 million. In addition, the Company incurred P28.9 million cloud subscription expenses during the year.

The Company has directly written-off other receivables amounting to ₱26.64 million and ₱0.09 million for 2015 and 2014, respectively, where probability of collection has been determined to be remote. In addition, provision for impairment losses is higher by ₱25.0 based on the assessment of long outstanding receivable and those accounts under legal proceedings.

Claims and losses increased to ₱80.6 million for the year ended December 31, 2015 from ₱23.7 million for the year ended December 2014 which is primarily attributable to returns and undelivered cargoes of corporate clients.

Other Income (Charges)

Other income, net which comprise of foreign exchange gain, gain on sale of disposal of assets and other miscellaneous expense increased by 78% to ₱109.6 million for the year ended December 31, 2015 from ₱61.6 million for the year ended December 31, 2014 primarily resulted from earnings generated from foreign exchange trading.

Interest expense, Net

Finance costs, net increased by 37% to ₱41.8 million for the year ended December 31, 2015 from ₱30.4 million for the year ended December 31, 2014, which is traceable to interest on finance lease obligations entered during the year.

Income before Income Tax

Income before income tax increased by 243% to ₱686.9 million for the year ended December 31, 2015 from ₱200.4 million for the year ended December 31, 2014, primarily due to improvement in revenue and cost of services.

Income Tax Expense

Income tax expense increased by 375% to ₱270.6 million for the year ended December 31, 2015 from ₱56.9 million for the year ended December 31, 2014, in line with the growth in operating income subject to income taxes.

Net Income for the Year

As a result of the foregoing, the Company's profit for the year increased by 190% to ₱416.3 million for the year ended December 31, 2015 from ₱143.4 million for the year ended December 31, 2014.

For the year ended December 31, 2014 compared with the year ended December 31, 2013

Service Fees

The Company's service revenues increased by 15.9% to ₱7,056.2 million for the year ended December 31, 2014 from ₱6,087.4 million for the year ended December 31, 2013, primarily due to an increase in revenues from the Logistics segment, particularly in corporate sales both in the Philippines and internationally.

Logistics

Revenues from the Logistics segment grew by 19.1% to ₱5,641.9 million for the year ended December 31, 2014 from ₱4,738.1 million for the year ended December 31, 2013, primarily due to a growth in the volume of services rendered to corporate clients, as well price increases on select services. The Company targeted selected accounts which were previously considered retail clients and subsequently converted or reclassified the same as corporate accounts.

Money Transfer Services

Revenues from the Money Transfer Services segment increased by 4.8% to ₱1,414.3 million for the year ended December 31, 2014 from ₱1,349.4 million for the year ended December 31, 2013, mainly due to an increase in the bills payment segment, and the increase in the volume of transactions and higher service fees from international inbound remittances due to the expansion of partner agents a new overseas branches. Domestic money remittance segment revenues remain under pressure from the Company's lowering of general domestic remittance fees in response to market conditions and consistent with the trend among its competitors and industry participants.

Cost of Services

Cost of services increased by 30.2% to ₱5,284.5 million for the year ended December 31, 2014 from ₱4,058.1 million for the year ended December 31, 2013, primarily due to the increase in the cost of delivery of remittance by 38.8%, as the Company incurred costs to provide logistics and forwarding services for donations to victims of the Yolanda typhoon. The Company also incurred additional cost of delivery in 2014 due to the port congestion. The Company's salaries and benefits also increased by 38.5% to ₱1,796.9 million as a result of annual merit increases, inflation and additional headcount. The Company's professional fees also increased by 40.3% to ₱237.4 million.

Gross Profit

As a result of the movements described above, gross profit decreased by 12.7% to ₱1,771.7 million for the year ended December 31, 2014 from ₱2,029.3 million for the year ended December 31, 2013. The Company's gross profit margin (gross profit divided by service fees) for the year ended December 31, 2014 declined to 25.1%, from 33.3% in the year ended December 31, 2013.

Operating Expenses

Operating expenses increased by 6.4% to ₱1,602.6 million for the year ended December 31, 2014 from ₱1,506.1 million for the year ended December 31, 2013, primarily due to an increase in advertising and promotion by 31.4% which was attributable to the rebranding campaign for the "LBC" brand in 2014, and due to an increase in utilities and supplies expense by 75.9% which was attributable to the change in invoicing procedures of the Company in 2014 and to support higher business volumes. The Company's professional fees also increased by 62.0% to ₱122.6 million. These increases were partially offset by the reduction by 50.4% to ₱74.2 million in depreciation and amortization recognized during the year.

Other Income (Charges)

Other income of the Company was ₱31.2 million for the year ended December 31, 2014, as compared to ₱24.3 million for the year ended December 31, 2013. The increase was primarily due to a write-back of various receivables amounting to ₱15.8 million, which were written-off in previous years and which the Company deemed to be collectible in 2014.

Operating Income

As a result of the movements described above, the Company's operating income decreased to ₱231.2 million for the year ended December 31, 2014 from ₱575.0 million for the year ended December 31, 2013. The Company's operating margin (operating income divided by service fees) for the year ended December 31, 2014 decreased to 3.3%, from the 9.4% operating margin for the year ended December 31, 2013.

Interest expense, Net

Interest expense, net increased by 30.8% to ₱30.4 million for the year ended December 31, 2014 from ₱23.2 million for the year ended December 31, 2013, primarily due to primarily due to an increase in interest expenses from the increased borrowings of the Company in 2014.

(Provision for) Benefit from Income Tax

Income tax expense increased to ₱57.0 million for the year ended December 31, 2014, a reversal from the ₱7.0 million tax benefit for the year ended December 31, 2013, primarily due to early adoption of the Company's retirement plan.

Net Income for the Year

As a result of the foregoing, the Company's profit for the year decreased by 74.1% to ₱ 143.4 million for the year ended December 31, 2014 from ₱554.6 million for the year ended December 31, 2013. The Company's net profit margin for the year ended December 31, 2014 decreased to 2.0% from 9.1% for the year ended December 31, 2013.

Other Comprehensive Income or Loss

Other comprehensive income decreased to ₱3.4 million for the year ended December 31, 2014 from ₱223.1 for the year ended December 31, 2013, primarily due to a recognition of the unrealized fair value loss in the mark-to-market securities held by the Company and due to a decrease in the remeasurement gains on retirement benefit plans in 2014.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of September 30	**As of December 31**	
	2016	**2014**	**2015**
Amounts in (₱ millions)	unaudited	audited	audited
ASSETS			
Current Assets			
Cash and cash equivalents	1,127.5	527.9	979.1
Trade and other receivables	944.5	893.9	1,025.1
Due from related parties	2,019.4	1,533.6	1,763.0

	As of September 30	As of December 31	
	2016	2014	2015
Amounts in (₱ millions)	unaudited	audited	audited
Available-for-sale investments	250.4	-	-
Prepayments and other assets	299.0	269.4	443.3
Total Current Assets	4,640.8	3,224.8	4,210.5
Noncurrent Assets			
Property and equipment	790.2	636.9	763.0
Intangible assets	263.4	256.5	276.4
Available-for-sale investments	516.7	276.9	212.6
Deferred tax assets	247.0	256.9	225.7
Security deposits	211.1	172.8	209.9
Other noncurrent assets	61.9	55.4	61.8
Total Noncurrent Assets	2,090.3	1,655.4	1,749.4
Total Assets	**6,731.1**	**4,880.2**	**5,959.9**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts and other payables	1,287.1	1,564.5	1,830.2
Current portion of notes payable	755.7	714.8	1,040.6
Due to related parties	25.6	183.2	20.0
Transmissions liability	347.8	359.0	508.1
Income tax payable	197.3	59.0	43.1
Current portion of lease liabilities	41.9	9.3	130.7
Total Current Liabilities	2,655.4	2,889.8	3,572.7
Noncurrent Liabilities			
Retirement benefit liability	682.3	541.9	641.8
Lease liabilities	78.2	122.6	74.2
Notes payable	723.8	-	-
Other non-current liabilities	36.8	-	43.5
Total Noncurrent Liabilities	1,521.1	664.5	759.5
Total Liabilities	**4,176.5**	**3,554.3**	**4,332.2**
Equity			
Equity attributable to shareholders of the parent company			
Capital stock	1,425.9	40.9	1,425.9
Additional paid-in capital	-	71.1	-
Retained earnings	801.8	133.9	174.5
Accumulated comprehensive income (loss)	374.3	164.7	68.4
Equity reserve	-	929.2	-
Non-controlling interests	(47.4)	(13.9)	(41.1)
Total Equity	2,554.6	1,325.9	1,627.7
Total Liabilities and Equity	**6,731.1**	**4,880.2**	**5,959.9**

As of September 30, 2016 compared to as of December 31, 2015

Assets

Current Assets

Cash and cash equivalents increased by 15% to ₱1,127 million as of September 30, 2016 from ₱979 million as of December 31, 2015.

Trade and other receivables decreased by 7.9% to ₱944 million as of September 30, 2016 from ₱1,025 million as of December 31, 2015, primarily due to full settlement of a major customer account which contract ended in 2015 and reduction of rate of one of the remittance agents by an average of 30%.

Due from related parties increased by 14% to ₱2,019 million as of September 30, 2016 from ₱1,763 million as of December 31, 2015, primarily due to additional advances (net) to LBC Development Corporation and to Lovable Commerce, Inc. made in 2016. Outstanding billings to entities under common control related to normal operations (e.g. brokerage, shared service costs, delivery fees) increased by 10% as of the end of the period.

Available-for-sale securities amounting to ₱250 million represents investment trust fund to one of the Company's major banks placed in 2016.

Prepayments and other current assets decreased by 32% to ₱298 million as of September 30, 2016 from ₱443 million as of December 31, 2015, primarily due to diminished restricted cash balance. Restricted cash represents cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company.

Non-current Assets

Property and equipment increased by 4% to ₱790 million as of September 30, 2016 from ₱763 million as of December 31, 2015, primarily due to business expansion which led to acquisitions for leasehold improvements which increased by 15% and furniture, fixtures and equipment by 25%.

Available-for-sale investments increased by 143% to ₱517 million as of September 30, 2016 from ₱212 million as of December 31, 2015 due to higher market price from ₱1.09/share to ₱2.65 per share.

Deferred tax assets increased by 9% to ₱247 million as of September 30, 2016 from ₱225 million as of December 31, 2015 as a result of higher non-deductible expenses from retirement benefit and allowance for doubtful accounts.

Current Liabilities

Accounts payable and accrued expenses decreased by 30% to ₱1,287 million as of September 30, 2016 from ₱1,830 million as of December 31, 2015, primarily due to reduction in trade payable by 32%. This is attributable to lower average freight charges.

Income tax payable increased by 50% to ₱197 million as of September 30, 2016 from ₱131 million as of December 31, 2015 in line with the growth in operating income subject to income taxes.

Current portion of notes payable decreased by 27% to ₱756 million as of September 30, 2016 from ₱1,040 million as of December 31, 2015, primarily attributable to availment of long-term loans from one of the major banks of the Company, instead of six-month term loans.

Transmissions liability decreased by 31% to ₱348 million as of September 30, 2016 from ₱508 million as of December 31, 2015, primarily due to lower volume and amount of money remittance transactions on the last day of the operations of the period.

Noncurrent Liabilities

Retirement benefit obligation increased by 6% to ₱682 million as of September 30, 2016 from ₱642 million as of December 31, 2015, primarily due to the net retirement benefit expense recognized for the period.

Long term notes payable is recognized in 2016 amounting to ₱723 million representing the noncurrent portion of a 5-year loan availed in May and September 2016.

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

Assets

Current Assets

Cash and cash equivalents increased by 85% to ₱979.1 million as December 31, 2015 from ₱527.9 million as of December 31, 2014.

Trade and other receivables increased by 15% to ₱1,025.1 million as of December 31, 2015 from ₱893.9 million as of December 31, 2014, primarily due to growth of corporate accounts in the Logistics segment.

Due from related parties increased by 15% to ₱1,763.0 million as of December 31, 2015 from ₱1,533.6 million as of December 31, 2014, primarily due to monthly advance funding to LBC Development amounting to P35.0 million and additional advances to Lovable Commerce, Inc. amounting to P91.9 million. This is offset by the assumed liabilities of subsidiaries to LBC Development Corporation as discussed under "Due to Related Parties" below.

Prepayments and other current assets increased by 65% to ₱443.3 million as of December 31, 2015 from ₱269.4 million as of December 31, 2014, primarily due to the restricted cash of P135.3 million representing cash deposit in bank in the name of the Company which was funded by a specific customer in relation to the money remittance service in behalf of the said specific customer. The Company availed of a loan from a bank specifically to service the said customer and the cash deposit served as a guarantee to the bank. The cash balance is being diminished as the loan balance gets repaid by the Company.

Non-current Assets

Property and equipment, net increased by 20% to ₱763.0 million as of December 31, 2015 from ₱636.9 million as of December 31, 2014, primarily due to business expansion which led to net acquisitions of leasehold improvement and computer hardware resulting to an increase by 37% and 84% , respectively, based on net book value.

Intangibles, net increased by 8% to ₱276.4 million as of December 31, 2015 from ₱256.6 million as of December 31, 2014, primarily due to additional costs for SAP and Vistra amounting to P66.1 million.

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

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

Security deposits, increased by 21% to ₱209.9 million as of December 31, 2015 from ₱172.8 million as of December 31, 2014, primarily due to increase in branches.

Other noncurrent assets, increased by 12% to ₱61.8 million as of December 31, 2015 from P55.4 million as of December 31, 2014 which resulted from the net effect of increase in noncurrent portion of input tax on capital assets and decrease/amortization of noncurrent rent.

Liabilities

Current Liabilities

Accounts and other payables increased by 17% to ₱1,830.2 million as of December 31, 2015 from ₱1,564.5 million as of December 31, 2014, which is related to higher operating expenses. New contract entered with IBM for use of cloud server and additions to SAP implementation costs add to the outstanding balance. Further, provisions set up for claims and losses resulted to higher accrual.

Due to related parties decreased by 89% to ₱20.0 million as of December 31, 2015 from ₱183.2 million as of December 31, 2014, as a result of offsetting of assumed liability from subsidiaries amounting to P173.7 million against receivable from LBC Development Corporation.

Notes payable increased by 46% to ₱1,040.6 as of December 31, 2015 from ₱714.8 million as of December 31, 2014, primarily due to new loan availment from CTBC bank amounting to P150.0 million, Landbank of the Philippines amounting to ₱35.2 million and additional P232.5 million loan from BDO.

Transmission liability increased by 42% to ₱508.1 million as of December 31, 2015 from ₱359.0 million as of December 31, 2014, primarily due to higher volume and amount of money remittance transactions on the last day of the operations of the year.

Income tax payable increased to ₱130.7 million as of December 31, 2015 from ₱9.3 million as of December 31, 2014, in line with the growth in operating income subject to income taxes.

Current portion of finance lease liabilities decreased by 27% to ₱43.0 million as of December 31, 2015 from ₱59.0 million as of December 31, 2014 due to amortization of existing leases.

Non-current Liabilities

Retirement benefit obligation increased by 18% to ₱641.8 million as of December 31, 2015 from ₱541.9 million as of December 31, 2014.

Finance lease liabilities (net of current portion) decreased by 40% to ₱74.2 million as of December 31, 2015 from ₱122.6 million as of December 31, 2014 due to amortization of existing leases.

LIQUIDITY AND CAPITAL RESOURCES

For the years ended December 31, 2013, 2014 and 2015, the Company's principal sources of liquidity were from internal funds from operations and short-term financing availments. On a consolidated basis, as of December 31, 2015, the Company had cash and cash equivalents totalling ₱979.1. The Company expects that its principal uses of cash for the fiscal year 2016 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

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

	For the nine months ended September 30		**For the years ended December 31**		
	2015	**2016**	**2013**	**2014**	**2015**
Amounts in (₱ millions)	unaudited	unaudited	audited	audited	audited
Net cash provided by operating activities	338.8	259.5	297.1	83.9	596.8
Net cash used in investing activities	(491.0)	(454.8)	(245.4)	(427.7)	(1,722.2)
Net cash generated from (used in) financing activities	490.8	350.0	(58.3)	373.9	1,567.0
Effect of foreign currency exchange rate changes on cash and cash equivalents	(3.7)	(6.3)	0.1	(11.6)	9.6
Net increase (decrease) in cash and cash equivalents	334.9	148.4	(6.5)	18.5	441.6
Cash and cash equivalents					
Beginning of year/period	527.9	979.1	515.9	509.4	527.9
End of year/period	862.7	1,127.5	509.4	527.9	979.1

CAPITAL EXPENDITURES

The Company's capital expenditures for the years ended December 31, 2014 and 2015 were ₱308.4 million and ₱384.7 million, respectively. The table below sets forth the primary capital expenditures of the Company over the same periods.

	For the nine months ended September 30		For the years ended December 31	
	2015	**2016**	**2014**	**2015**
Amounts in ₱ millions				
Transportation equipment	11.2	29.8	116.0	19.1
Leasehold improvements	28.6	38.2	112.8	44.1
Furniture, fixtures and office equipment	31.8	25.2	28.7	40.6
Computer hardware	31.6	24.0	23.1	86.1
Construction in progress	134.7	117.8	27.7	194.8
Total capital expenditures	**237.9**	**235.0**	**308.3**	**384.7**

The Company's 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 Company's contractual obligations and commitments as of December 31, 2015:

	Contractual Obligations and Commitments Principal Payments Due by Period (₱ millions)				
	Total	**Fiscal 2015**	**Fiscal 2016**	**Fiscal 2017 - 2020**	**After Fiscal 2020**
Finance lease obligations	121.11	43.05	48.60	29.46	−
Operating lease obligations	3,407.89	695.49	695.49	2,016.91	−
Total	**3,529.0**	**738.54**	**744.09**	**2,046.37**	**−**

KEY PERFORMANCE INDICATORS

The table below sets forth key performance indicators for the Company for the years ended December 31, 2013, 2014 and 2015.

	For the nine months ended September 30		For the years ended December 31		
	2015	2016	2013	2014	2015
	unaudited	unaudited	audited	audited	audited
Gross profit (service fees less cost of services) (₱ millions)	1,872.2	2,278.9	2,029.3	1,771.7	2,566.9
Operating income[1] (₱ millions)	599.6	935.1	575.0	231.2	730.2
EBITDA[2] (₱ millions)	787.7	1,159.5	900.2	507.3	989.6
EBITDA margin[3] (%)	13.8%	18.2%	14.8%	7.2%	12,9%
Net income (₱ millions)	389.3	620.5	554.6	143.4	416.3
Net profit margin[4] (%)	6,8%	9.8%	9.1%	2.0%	5.4%
Total debt[5] (₱ millions)	1,031.1	755.7	227.7	714.8	1,040.6
Net cash[6] (₱ millions)	(168.3)	71.8	281.7	(186.9)	(61.5)

Notes:

(1) *Operating income is calculated as income before income tax plus interest expense.*

(2) *EBITDA is calculated as operating income plus depreciation and amortization. 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 Company'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 Company'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 profit as a percentage of service revenues.*

(5) *Total debt comprises short-term notes payable (current portion) only.*

(6) *Calculated as total cash and cash equivalents less total debt.*

FINANCIAL RATIOS

		2015	2014
Current ratio	Current Assets/Current Liabilities	1.18:1	1.12:1
Debt to equity ratio	Total Liabilities/Stockholders' Equity	2.66:1	2.68:1
Debt to total assets ratio	Total Liabilities/Total Assets	0.73:1	0.73:1
Return on average assets	Net income attributable to Parent Company/Average Assets	8.11%	3.74%
Book value per share	Stockholders' Equity/Total Number of Shares	₱1.14	₱32.42
Earnings/(Loss) per share	Net Income or (Loss)/Total Number of Shares	₱0.29	₱0.10

DEBT OBLIGATIONS AND FACILITIES

The Company's debt obligations mainly comprise short-term loan and notes availments. As of September 30, the Company had no long-term indebtedness.

OFF BALANCE SHEET ARRANGEMENTS

As of September 30, 2016, the Company had no off-balance sheet arrangements.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

The Company 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

The Company is exposed to foreign currency exchange rate risk from its money remittance operations. The Company 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 Company 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 Company's 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 Company 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 Company 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 Company's exposure to interest rate risk relates primarily to the Company's short-term investments and short-term debt obligations. The Company 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 Company 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.

SEASONALITY

The Company 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.

BUSINESS

OVERVIEW

The Company is a leading provider of courier and freight forwarding services, as well as a leading non-bank provider of domestic remittance services and inbound international remittance services in the Philippines. Throughout the Company's over 60-year operating history, the "LBC" brand and logo have come to be recognized by Filipinos living domestically and overseas to represent the Company's track record for reliable, timely and far-reaching services. Leveraging its brand equity, experience and wide distribution network, the Company had the largest market share in the domestic air freight forwarding business in the calendar years 2011 and 2012. The Company believes that it has been the top importer of Balikbayan Boxes in terms of throughput for the past 20 calendar years. According to Ken Research, the Company is one of the top five non-bank providers of domestic remittance services by remittance volume as well as one of the top five non-bank providers of international inbound remittances in the Philippines by remittance volume in calendar year 2012.

The Company's two main operating segments comprise (a) Logistics; and (b) Money Transfer Services.

Logistics is the Company's primary revenue driver, accounting for 78%, 80%, 82% and 86%, respectively, of the Company's service revenue for the years ended December 31, 2013, 2014 and 2015 and the period ended September 30, 2016. The Company's Logistics products are geared toward both retail and corporate clients, who accounted for 66% and 34%, respectively, of the Company's total service revenue from the Logistics segment in the year ended September 30, 2016. The main services offered under the Company's Logistics business are domestic and international courier and freight forwarding services (by way of air, sea and ground transport). In addition, the Company also provides a host of specialized, value-added logistics solutions such as integrated logistics, supply chain management and other tailored logistics solutions. To carry out its Logistics operations, the Company utilizes its domestic fleet of approximately 1,764 vehicles (including approximately 1,205 motorcycles and approximately 559 vans as of September 30, 2016) for ground transport in the Philippines and contracts with various domestic and international airline carriers and shipping companies for air and sea cargo transport. As of September 30, 2016, the Company offered Logistics services in all of its 1,231 Company-owned branch locations within the Philippines, as well as to and from 22 other countries and territories in which it had branch offices and affiliates or agents. To complement its Logistics offerings, the Company also offers additional specialized services such as warehousing and packaging services, among others.

Money Transfer Services, the Company's other main business segment, accounted for the remaining 22% , 20%, 18% and 14% of the Company's service revenue for the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016, respectively. The Money Transfer Services segment involves both domestic and international services. Domestic Money Transfer Services comprise (a) domestic remittance services (including branch retail services, pre-paid remittance cards and online and mobile remit); and (b) bills payment collection and corporate remittance payout services. International Money Transfer Services comprises international inbound remittance services. The Company leverages the branch network and delivery fleet for its Logistics business as a platform for its remittance services. It also contracts with remittance fulfillment agents domestically and internationally to expand its network. See "Business – Money Transfer Services – Remittances – Infrastructure" on page 102 of this Prospectus. The Company's remittance services are targeted primarily at retail customers that may lack access to traditional banking institutions, whether because they are geographically removed or because they are not bank account holders. Its bills payment collection services enable customers to pay their bills for a variety of vendors, such as utilities companies, publications, insurance companies and others, while its corporate remittance payout services enable customers of various insurance companies and employees of certain companies to receive benefits and salary payouts, at any domestic Company-owned branch. As of September 30, 2016, the Company's Money Transfer Services have been available at each of its 1,231

Company-owned domestic branch locations. Its remittance encashment services have also been available at an additional 2,000+ branches (as of September 30, 2016) of Palawan Pawnshop, the Company's local remittance fulfillment partner. As of September 30, 2016, the Company has also been processing international inbound remittances originating from over 22 other countries and territories in which it had branch offices, affiliates and/or agents (including extended networks of the Company's agents).

COMPETITIVE STRENGTHS

The Company considers the following to be its principal competitive strengths:

Leading provider of express courier services in the Philippines with an extensive domestic network and broad global reach

The Company is a leading provider of express courier services to retail consumers in the Philippines, offering a reliable, convenient and cost-effective alternative to the Government-owned and operated postal service. For the year ended December 31, 2012, the Company was the market leader in air freight forwarding in the Philippines in terms of tonnage with a 41.8% market share, according to data from the CAB. In 2012, the Company was also a leader in the transport of Balikbayan Boxes, with a 22% market share in terms of units transferred, according to Transport Intelligence. The Company's services are accessible to retail clients through its expansive domestic distribution network which, as of December 31, 2013, comprised 1,231 Company-owned branch offices covering nearly 30,000, or approximately 70% of the total number of, barangays (most basic administrative divisions) in the Philippines. According to Transport Intelligence, as of December 31, 2013, the Company's domestic branch network was approximately four times as large as that of its nearest logistics competitor in terms of number of service outlets. See "Business – Competition" on page 108 of this Prospectus. In addition, the Company's domestic fleet of 1,205 motorcycles and 559 vans (as of September 30, 2016) enables the convenience of the door-to-door pick-up service that has become a hallmark of the Company's value-added offerings. The Company's network also provides coverage in key international markets with significant OFW presence, making its services attractive for both domestic and overseas Filipinos. The Company believes that, with its established platform and market position in the retail logistics industry, it will benefit significantly from the positive growth prospects of the Philippine domestic economy and private consumption in the coming years, and it seeks to continue growing its core retail Logistics business, while at the same expanding its corporate logistics offerings and its Money Transfer Services business.

Iconic brand in the Philippines widely recognized for reliability, efficiency and service excellence with over 60-year operating history

The Company believes that the strength of "LBC" brand is one of its key competitive advantages. The "LBC" brand has gained significant recognition in the Philippines and among OFWs throughout the Company's over 60-year operating history. As the first Filipino-owned company to provide time-sensitive courier and cargo delivery services and the pioneer in 24-hour door-to-door delivery services in the Philippines, the Company has a long-established reputation for being a trustworthy and dependable provider of on-time deliveries of important goods and documents. Today, the Company believes that the "LBC" brand has become synonymous with top quality service. When the Company expanded into the remittance business in the early 1980s, the brand equity and goodwill of the trusted "LBC" brand contributed to the success of this new business. In addition to its extensive geographic reach and marketing efforts, the Company's dedication to efficiency, reliability and general service excellence has earned it considerable goodwill and trust from its customers. The "LBC" brand was one of Reader's Digest Trusted Brand Winners – Philippine Airfreight/Courier Service Category in 2012 and one of Socialbakers' top Socially Devoted brands in 2012 and 2013. According to the LISBON Survey, a survey conducted by Market Research Solutions, Inc., an independent marketing and research firm, the Company was considered one of the Best-of-Class Companies in the Philippines for both the freight forwarding and remittance industries in 2012. According to the LISBON Survey, in 2012, the Company achieved 81% brand awareness/market reach for sea cargo, the highest in the segment, with the closest competitor achieving 47% recognition. To keep up with growing expectations of customers, the Company continues to set challenging targets for itself in terms of delivery efficiency and customer satisfaction, as well as goals for further improving its image and brand.

Highly scalable business operations with nationwide distribution network and robust IT infrastructure

The Company's Logistics and Money Transfer Services businesses are both highly scalable, making use of an integrated platform to provide complementary services that accommodate a broad range of clients, geographies and needs. Shared resources and services between the Logistics and Money Transfer Services segments have provided the Company with economies of scale that might not otherwise be attainable for companies focusing on only one or the other of the Company's two business segments. For example, the extensive domestic branch network, delivery vehicle fleet, IT infrastructure, trained workforce and readily available cash from the Company's original Logistics business enabled the Company to seamlessly enter into the money remittance industry at low marginal cost in the early 1980s. With the same infrastructure and acquired know-how, the Company has also been able to expand into corporate logistics and offer additional money transfer services with low start-up costs and relative ease. The Company believes that its current distribution facilities, warehouses and delivery vehicles are not yet at full utilization and that there remains significant potential to scale its business even with the existing infrastructure it has in place. In addition, the Company's integrated IT system and model of leasing rather than purchasing branch properties has enabled and will continue to enable it to grow its distribution network rapidly, which is key for competitive positioning and effective delivery of quality service in all its business segments.

The Company also believes that its robust IT systems and increasing degree of automation ensure efficient operations and concurrently contribute to an optimal cost structure for its business. See "Business – Information Technology" on page 106 of this Prospectus. Customers benefit directly from the Company's state-of-the-art IT infrastructure in the form of real-time status updates on forwarded parcels or cargo, as well as reduced processing time.

Leading provider of remittance services to both domestic and overseas unbanked Filipino population providing value-added services to customers with the significant synergies with its core Logistics services

The Company believes that it is a leading non-bank Philippine provider of domestic and international inbound remittance services. Leveraging its existing platform of 1,231 Company-owned domestic branches and domestic fleet of 1,764 delivery vehicles, which are shared with the Logistics business, the Company is able to provide remittance services at lower costs and in more locations than traditional banking institutions in the Philippines. As a result, the Company has developed a strong customer base in the unbanked Philippine population, which accounted for approximately 80% of the total Philippine population as of December 31, 2013, according to the BSP. The Company believes that with the continuing recovery of the global economy and increasing levels of private consumption in the Philippines, the money transfer industry will maintain strong growth momentum in the near and medium-term future and that the Company will continue to be a provider of choice for remittances for Filipinos. The Company also believes that its money remittance business, which has historically displayed strong volume growth even during times of economic slowdown, will continue to provide it stability in its operations and results in times of economic volatility. Moving forward, the Company also believes the strength of its remittance business, coupled with its strong brand equity, will result in an increasing number of remittance customers availing of the Company's Logistics products and services.

Uniquely positioned to benefit from the surging demand for corporate logistics solutions

As the Philippine economy continues to grow and certain industries mature, corporations are increasingly outsourcing logistics functions to third party logistics providers. Along with improvement and penetration of technology and E-commerce in the consumer industries, logistics has become increasingly global in nature, creating new business opportunities for the Company in areas such as international freight forwarding, warehousing and inventory management. With an established operational platform which includes an extensive domestic and international distribution network, an integrated IT infrastructure and a widely recognized and trusted brand, the Company believes it is favorably positioned to compete for market share in the growing corporate logistics industry. The Company has already increased its focus on the corporate sector in recent years, broadening its scope of services from traditional courier and freight forwarding services to specialized corporate solutions such as fulfillment processing, packaging and repacking, printing and mailing of invoices and others. The Company has established close working relationships with several carriers throughout the Philippines' major ports, affording it prioritized capacity and processing opportunities and reducing origin-to-destination transit time. The Company also maintains an extensive network of strategically located warehouses, distribution centers and regional hubs (secondary distribution centers), which are not yet at full utilization and can be scaled to grow the Company's corporate logistics segment. The Company believes that it will be well-positioned to capture growth from corporate clients as the Philippine economy continues to grow.

Best-in-class management team with established track record

The Company's senior management team has extensive experience in business management and market development, combined with a deep understanding of the Philippine logistics and remittance industries and a track record for successful expansion into overseas markets. Their strong management skills and business acumen have also been recognized by the wider business community in the region. Together, the senior management team has over 100 years of combined experience in the logistics and remittance industries. Under their leadership and guidance, the Company utilizes targeted strategies to maintain and grow its market leadership in established business segments and compete for additional market share in growing business segments. The Company believes that its strong management team enables it to continue improving the efficiency of its operations, the quality of its service offerings and its ability to satisfy its customers' requirements.

KEY STRATEGIES

Continue to invest in IT infrastructure and operations to enhance efficiency and service quality

The Company is committed to continuing to invest in state-of-the-art IT systems to maintain its competitive edge and more effectively deliver quality service to its customers. The Company is already in the process of implementing an updated proprietary IT system that will integrate various components of its existing technology infrastructure, thereby enhancing efficiencies and reducing human error in its operations. The new system, VISTRA, will be developed in-house and will consolidate the Company's existing POS technology (used for courier, air cargo and remittance acceptances), the integrated cargo application ("INCA") technology used for its sea cargo acceptance and its package tracking software in order to allow for more efficient transactions at the point of sale, improve inventory control and tracking and centralize customer management. The Company also recently began the process of providing handheld scanners to its entire team of couriers to improve the collection of tracking data as well as the efficiency of its couriers by eliminating human error and reducing the amount of manual paperwork necessary. The consolidation of data across its various business functions will provide management with a greater means to monitor the business and make key operational decisions. The Company has also recently invested in a comprehensive suite of customized business management solutions software from SAP encompassing financial and accounting, human resources, procurement, customer relationship management, warehouse management, sales and distribution, transportation management and business intelligence solutions. In addition, to ensure the quality and uninterrupted delivery of its service as well as the safety of its employees, the Company will continue to ensure that its operational equipment remains well maintained and updated from time to time. Toward this end, the Company began refleeting most of its delivery vehicles in fiscal 2014. The Company believes that these investments in technology and operational equipment will yield significant cost savings and productivity enhancement. See also "Business – Information Technology" on page 106 of this Prospectus. The Company will continue to evaluate new products and technologies as they come to market and will prudently invest in software and devices to enhance the management and efficiency of its operations.

In furthering the Company's goal of strengthening its warehousing, transport and manpower capabilities, the Company intends to develop a warehouse management system (for its warehouse operations) and a fleet management system (for its cargo transportation operations). The Company will also continue to establish alliances with suppliers, ranging from airlines to local truckers, to ensure availability of service while simultaneously improving service process.

Continue to leverage the Company's platform and brand to expand into adjacent businesses

As a result of the expected growth of the Philippine economy in the near term, increased sophistication of Philippine corporates, improved technology and increased emphasis on E-commerce, the Company anticipates many opportunities to expand into adjacent business segments by leveraging its established business platforms and brand equity. These adjacent businesses include, among others:

> *International Freight Forwarding*. The Company has entered into a partnership agreement with OHL, a global provider of air and sea freight forwarding services, effective August 1, 2013, to operate as a licensed non-vessel operating common carrier ("NVOCC"), whereby each party has mutually appointed the other to serve as a non-exclusive sales and handling agent for air and sea freight forwarding to and from the United States, China, Hong Kong, Taiwan, Singapore, Malaysia, Vietnam, Australia and the United Kingdom to Manila. Whereas in the past, the Company was required to operate through an international freight forwarder for international shipments, this agreement enables the Company to engage in the business of international freight forwarding, transacting directly with international shipping companies, through its partnership with OHL. This will enable the Company to lessen its own reliance on other international freight forwarders as well as provide international freight forwarding services to others as a new service offering. The Company intends to expand its international freight forwarding business in the future, exploring the possibility of forming partnerships with other NVOCCs and international freight forwarders.
>
> *E-commerce Fulfillment and Payment Solutions*. The Company also aims to take advantage of the growth in E-commerce in the Philippines, which it believes could translate into significant growth potential for both of its businesses. As E-commerce increases, the demand from online retailers for warehousing, packaging, delivery, billing, payment and other services that the Company provides will continue to grow. With its existing logistics and bills payment collection platforms, the Company believes it is well-positioned to be the integrated logistics and money services provider of choice for corporate E-commerce clients. The Company aims to target direct sellers, online resellers and buyers, with services such as same day delivery, SMS notifications, personalized packages and Send & Swipe options, among others. The Company recently created shippingcart.com to allow customers to shop anywhere in the world by providing a personal P.O. box and payment solutions such as cash, credit card, and bank transfer. The Company also intends to create a secure trade platform as an integrator of payments, including cash, credit card and bank transfer. As of the date of this Prospectus, the Company

has already entered into contracts with certain E-commerce companies to provide fulfillment and delivery services.

Integrated Port and Logistics Services. In addition, the Company plans to leverage its experience in the logistics and sea cargo forwarding industries and intends to establish a Super Hub, an integrated port and logistics facility (the "Super Hub"). As more than 60% (by volume) of sea cargo originating from or destined for Metro Manila passes through the Port of Manila, the Company will seek to capture this market and provide a one-stop hub to customers, offering services such as transport modes, distribution facilities and customs/quarantine services, among others, all aimed to increase efficiency and reduce costs for customers. The Super Hub is envisioned to offer facilities for domestic and international cargo transport, warehousing and distribution of goods, as well as house container yards, container freight stations, storage warehouses, cross-docking facilities (for both regular and temperature-controlled goods), and also various government and commercial public facilities, such as a canteen, a fuel station and housing facilities, all of which would be available for sale or lease.

Cold Chain Supply. The Company also intends to expand into the cold chain business, which generally refers to the uninterrupted series of pre-cooling, packaging, handling, transportation, storage and distribution, all while maintaining a defined temperature range. Cold chain capabilities are typically required for high-value crops, fishery, poultry and livestock meat, pharmaceutical and other perishable goods. The Company believes there is significant growth potential in this industry, and intends to develop a logistics infrastructure and create an organization to support these requirements and invest in temperature-controlled warehouses, reefer vans and reefer trucks.

The Company aims to continue evolving its services and capabilities to anticipate and meet the needs of corporate clients and capture value from the growth of the domestic economy.

Continue to expand internationally

The Company has an extensive network of branches, affiliates and agents in over 30 countries and territories worldwide. The Company believes that several of its existing international markets are currently underserved in terms of both logistics and remittance services, particularly, the mid-western United States, the Greater Toronto Area in Canada and the Middle East. As part of the effort to capture market share in such underserved markets, the Company plans to improve and renovate its existing branches in order to more efficiently handle and process customer needs and provide service excellence. In addition, the Company continuously reviews opportunities to operate in markets where OFWs are deployed or where Filipinos are migrating, including Germany, Korea, Kuwait, Bahrain and Qatar, where the company recently opened branches. As a part of its strategy to broaden its international coverage, the Company will continue to prudently engage international remittance fulfillment agents internationally, leveraging their existing networks to expand efficiently into overseas markets.

Continue to invest in brand equity

The Company's long history and extensive domestic and international branch network have established widespread recognition of its brand among domestic Filipino customers and OFWs alike. They are not only critical assets for attracting retail and corporate customers but also yield cost savings and access to priority services. For example, the Company's established relationships with third party air and sea transport providers have enabled it to gain fixed cargo space on planes and first right of access to empty containers from shipping carriers. These and other benefits enable the Company to quickly fulfill customer orders.

The Company aims to continue building its brand equity through advertising and promotional activities. The Company regularly advertises on television, radio and billboards, as well as in print and on the Internet. It also provides service and financial contributions to charitable causes through the LBC Hari ng Padala Foundation, Inc., an affiliate of the Company, and participates in other community outreach exercises such as sponsorship of the Ronda Pilipinas (the largest Philippine cycling race), golf tournaments and athletic events of Filipino boxer and politician Manny Pacquiao. See "Business – Corporate Social Responsibility – Community Outreach" on page 113 of this Prospectus. The Company believes that in addition to fulfilling its commitment to corporate social responsibility, these activities help raise the recognition of the "LBC" brand and understanding of the Company's core values. See "Business – Marketing and Sales" on page 105 of this Prospectus.

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

Selectively pursue acquisition opportunities

In addition to its commitment to invest in organic growth, the Company also plans to augment its breadth of service offerings and depth of operations by selectively and strategically pursuing sound acquisition opportunities. In evaluating such opportunities, the Company will consider, among other factors, whether the potential target company has synergies with the Company's existing operational platform, whether the potential target will enable the Company to grow its customer base and market share in existing businesses, whether it will provide the Company with the platform or know-how to expand into new business areas, and whether it will provide synergies in terms of efficiencies and revenue generation. The Company believes that prudent investment in strategic acquisitions will bring attractive returns to its revenues, profit and growth over the medium to long term.

HISTORY

Corporate Reorganization

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

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

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

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

On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the authorized capital stock of the Company. The consideration for the subscribed shares was ₱59,101,000.00 or ₱1.00 per share.

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

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

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

(i) increase in the authorized capital stock of the Company from ₱100 million to up to ₱3 billion;

(ii) the issuance of shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation and/or to other investors and/or third parties for the purpose of (a) funding the acquisition by the Company of all the outstanding shares of stock of LBC Express, Inc.; (b) funding the acquisition of other potential investments, whether or not related to the business of LBC Express, Inc.; and (c) ensuring compliance by the Company with the minimum public ownership requirements of the PSE;

(iii) the change in the name of the Company to “LBC Express Holdings, Inc.”; and

(iv) the change of the trading symbol “FED” to “LBC”.

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

On September 18, 2015, pursuant to the authority to issue shares out of the increase in authorized capital stock or out of the unissued capital stock to LBC Development Corporation, the Company and LBC Development Corporation entered into Subscription Agreements, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 1,146,873,632 additional Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱1,146,873,632.00 (the “Additional Subscriptions”), consisting of 475,000,000 shares issued from the increase in the authorized capital stock of the Company and 671,873,632 shares issued out of the authorized and unissued capital stock of the Company, following the approval by the SEC of the increase in the authorized capital stock of the Company from ₱100,000,000.00 divided into 100,000,000 Common Shares with par value of ₱1.00 per Share, to ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with par value of ₱1.00 per Share (the “Capital Increase”). Notices of exemption for the Additional Subscriptions were filed with the SEC on [•] and October 13, 2015. Following the Additional Subscription and the subscription by the Subscribers as discussed in the following paragraph, the shareholdings of LBC Development Corporation in the Company increased to 80.43% of the total issued and outstanding capital stock of the Company.

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

On September 24, 2015, the Company purchased from LBC Development Corporation a total of 1,041,180,493 shares of stock in LBC Express, Inc. for an aggregate purchase price of ₱1,384,670,966.00.

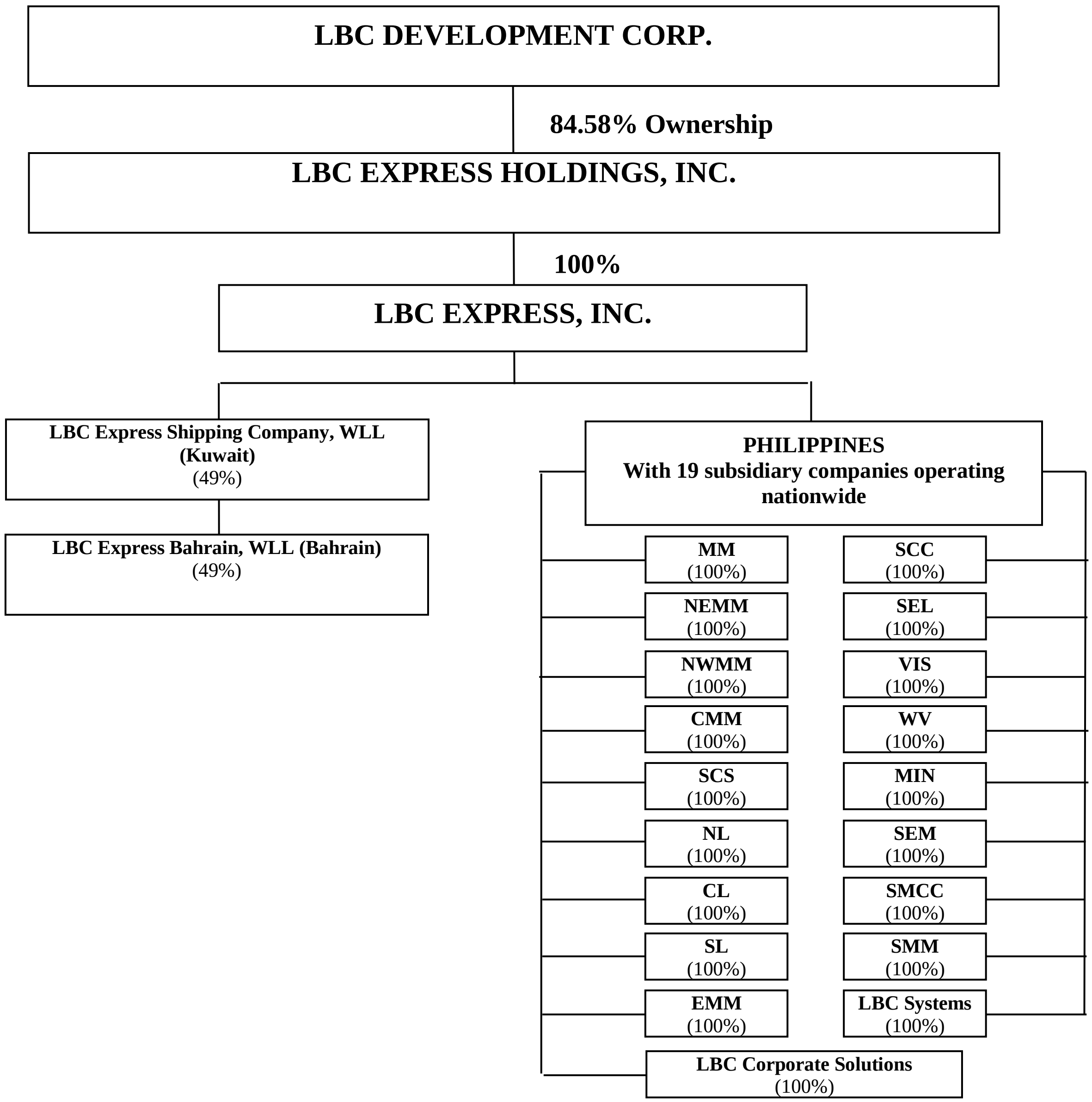
LBC History

As LBC, the Company was initially founded in 1950s as "Luzon Brokerage Corporation." It subsequently changed its name to "LBC Air Cargo, Inc." and operated as a brokerage and air cargo agent. A few years after incorporation, the Company evolved into an express delivery service, becoming the first Filipino-owned private courier company to provide time-sensitive deliveries in the Philippines and offer customers an alternative to the Government-owned and operated postal service. In 1973, the Company pioneered 24-hour door-to-door express delivery and messengerial services in the Philippines, providing greater convenience to its existing customers and further expanding its market share. The Company's name was formally changed to "LBC Express, Inc." on April 26, 1988 to reflect the express delivery services that had come to form its hallmark business. In the 1990s, the Company adopted the slogan "Hari ng Padala", or Tagalog for "King of Forwarding Services." The Company has now become the market leader in the Philippine domestic air freight forwarding market and, for the year ended December 31, 2012, had a market share of 41.8% of the domestic air freight forwarding industry in terms of throughput by weight, according to data from the CAB. While the Company's Logistics business still primarily comprises retail express courier and freight forwarding services, it has also expanded its product mix to offer services targeted at corporate customers, including full container load ("FCL") and less-than-container load ("LCL") sea freight forwarding and end-to-end logistics solutions.

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

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

The following diagram illustrates the anticipated operating ownership structure of the Company:



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

Name of Subsidiary	Year of Incorporation
LBC Express – MM, Inc.	1992
LBC Express – VIS, Inc.	1992
LBC Express – NWMM, Inc.	1991
LBC Express – NEMM, Inc.	1991
LBC Express – WV, Inc.	2004
LBC Express – MIN, Inc.	1992
LBC Express – SEM, Inc.	2004
LBC Express – CL, Inc.	1992
LBC Express – SL, Inc.	1993
LBC Express – NL, Inc.	1991
LBC Express – SCC, Inc.	1991
LBC Express – SEL, Inc.	2003
LBC Express Corporate Solution, Inc.	1992
LBC Express – CMM, Inc.	2009
LBC Express – EMM, Inc.	2009
LBC Express – SCS, Inc.	1991
LBC Systems, Inc.	1983
LBC Express – SMM, Inc.	1991
South Mindanao Courier Co., Inc.	1993

Except for LBC Express – SCS, Inc. and LBC Systems, Inc., the 17 other subsidiaries named above are engaged in messengerial, express delivery, forwarding, remittance and other allied services.

LBC Express – SCS and LBC Systems, Inc. are engaged in messengerial, express delivery, forwarding and other allied services only.

Except for South Mindanao Courier Co., Inc. and LBC Express – SMM, Inc., the principal offices of the 17 other subsidiaries named above are located in the General Aviation Center, Domestic Road, Pasay City. The principal office of South Mindanao Courier Co., Inc. is located in Door No. 7, Yabon Building, Darimco Silawy, Dadiangas West, General Santos City, while the principal office address of LBC Express – SMM, Inc. is located at the 3rd Floor Sycamore Centre, Alabang Zapote Road, Alabang, Muntinlupa City.

LBC Express, Inc. owns 49% interest in both LBC Express WLL, a company engaged in the logistics business which was incorporated in Kuwait in 2011 and LBC Express Bahrain WLL, a company engaged in the logistics business which was incorporated in Bahrain in 2013.

SERVICES

The Company's business comprises two primary segments: (a) Logistics; and (b) Money Transfer Services. The table below presents the components of the Company's revenue associated with its business segments for the periods indicated.

	For the years ended December 31,		
	2013	**2014**	**2015**
		(₱ in millions)	
Logistics			
Retail............................	3,801.8	3,673.6	4,091.3
Corporate......................	936.3	1,968.3	2,199.0
	4,738.1	5,641.9	6,290.3
Money Transfer Services			
Domestic[(1)]	1,334.1	1,317.3	1,186.9
International Inbound[(2)] ..	15.2	97.0	209.3
	1,349.3	1,414.3	1,396.2
Total Service Revenue	6,087.4	7,056.2	7,686.5

Notes:

(1) Comprises fee income from domestic remittances and bills payment collection services.

(2) Comprises fee income from international inbound remittances.

Logistics

The Logistics business is the Company's primary source of revenue, accounting for 78%, 80%, 82% and 86%, respectively, of the Company's overall service revenue for the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016. The Company serves two primary customer segments within the Logistics business: (a) retail customers; and (b) corporate customers. The main services offered to retail customers include courier, air cargo forwarding and Balikbayan boxes services. The main services offered to corporate clients include, in addition to courier and freight forwarding services, Specialized Corporate Solutions, or corporate logistics services tailored to the specific needs of the client.

As of September 30, 2016, the Company has offered Logistics services at 1,231 Company-owned branches in the Philippines and 65 Company- and affiliate-owned branches in 22 other countries and territories worldwide.

Retail Logistics

Retail Logistics comprised 80%, 65%, 65% and 66%, respectively, of the Company's service revenue from Logistics for the years ended December 31, 2013, 2014 and 2015 and for the period ending September 30, 2016. The Company's primary retail Logistics offerings are its "Express" products (comprising courier and air cargo forwarding) and Balikbayan Boxes.

Courier

Courier services are the Company's express messengerial services and refer to deliveries of parcels (i.e. letters and small packages typically weighing three kilograms or less) by land and/or air on a time-sensitive basis. The Company generally makes domestic courier deliveries within 24 hours of acceptance and international courier deliveries within one to three days of acceptance, depending on the origin and destination country. The Company is limited in liability for delays caused by certain *force majeure* and other events that may prevent it from making an on-time delivery. The fees for courier services are based on weight, dimensions and final destination, and the Company imposes add-on charges for extra services such as pick-up in certain areas outside of the National Capital Region of the Philippines, additional insurance and same-day delivery service.

Air Cargo

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

Balikbayan Boxes

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

Corporate Logistics

Corporate Logistics comprised 20%, 35%, 35% and 34%, respectively, of the Company's service revenue from Logistics for the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016. The Company provides services to a varied portfolio of corporate clients, which include consumer goods manufacturers, food products producers, pharmaceutical companies, educational institutions, financial services companies and others, including several well-known multinational corporations. In addition to fulfilling the express delivery needs of corporate clients through courier and air cargo forwarding services, the Company also provides the following services:

Specialized Corporate Solutions ("SCS")

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

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

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

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

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

In recent years, the Company has increased its focus on the corporate logistics business and aims to continue expanding its corporate client portfolio and service offerings going forward. See "Business – Key Strategies – Continue to Leverage the Company's Platform and Brand to Expand into Adjacent Businesses" on page 85 of this Prospectus.

Money Transfer Services

Money Transfer Services is the Company's second primary business segment and comprises both domestic and international money transfer services. For the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016, revenues from Money Transfer Services were ₱1,349.3 million, ₱1,414.3 million, ₱1,396.2 million and ₱889.0 million, representing 22%, 20%, 18% and 14% respectively, of the Company's overall service revenue.

Domestic

Domestic Money Transfer Services include (a) remittances; and (b) bills payment collection and corporate remittance payout services. For the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016, service fees from domestic Money Transfer Services were ₱1,334.1 million, ₱1,317.3 million, ₱1,186.9 million and ₱794.3, representing 98.9%, 93.1%, 85.0% and 89.3%, respectively, of the Company's total service revenues from Money Transfer Services.

Remittances

Remittances are transfers of funds between customers from one location to another. The Company is licensed by the BSP to serve as a remittance agent in the Philippines for both domestic remittances (wherein both the sender and the beneficiary are located within the Philippines) and international inbound remittances (wherein the sender is located outside the Philippines and the beneficiary is located within the Philippines). Retail customers in the Philippines, particularly the unbanked population and others who are underserved by traditional banking institutions, account for the majority of the Company's domestic remittance customers. The Company offers domestic remittance services in the form of (a) branch retail remittance services; (b) pre-paid remittance cards; and (c) online and mobile remit.

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

    - *Instant branch pick-up,* a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);

    - *Pesopak,* a service by which remittances are delivered directly to the beneficiary's doorstep, providing an attractive option for situations in which beneficiaries cannot or do not want to visit a branch; the Company offers next day delivery for Pesopak in almost all areas in the Philippines; and

    - *Remit-to-account,* a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

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

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

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

Bills Payment Collection and Corporate Remittance Payouts

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

The Company also provides payout services for various corporations and organizations. For example, beneficiaries of the Social Security System ("SSS") of the Government, as well as private insurance carriers with whom the Company has contracted, can collect their benefits at a Company-owned branch. Likewise, the Company provides payroll services for certain companies, whereby employees can collect salary checks at a branch office. As part of its reciprocal agreement with Palawan Pawnshop, the Company also provides encashment services for beneficiaries of senders who make a remittance at a Palawan Pawnshop branch.

International

The Company provides fulfillment services for international inbound remittances from over 30 countries and territories overseas to the Philippines through its overseas branches and affiliates and its network of international remittance agents. For more information on the Company's international remittance agents, see "Business – Operations – Money Transfer Services – Remittances – International Remittance Agents" on page 103 of this Prospectus. For the years ended December 31, 2013, 2014 and 2015 and for the period ended September 30, 2016, service fees from international inbound remittances were ₱15.3 million, ₱97.0 million, ₱209.3 and ₱94.7 million, accounting for 1.1%, 6.9%%, 15.0% and 10.7%, respectively, of the Company's total service revenues from Money Transfer Services.

As with domestic remittances, beneficiaries of international inbound remittances can avail of instant branch pick-up services at any location within the Company's domestic network as soon as the transaction is processed into the Company's POS system from its overseas branch or agent-operated location. Beneficiaries of inbound international remittances can also arrange for the money to be delivered to their door, have the sums credited to a pre-paid remittance card or have proceeds deposited directly into a bank account. The Company charges a service fee for processing international remittances according to a progressive schedule based on value of the remittance and pick-up destination of the remittance. Although mobile remit confirmation codes are not yet sold internationally, the Company does enable online remit services from the United States, in which the sender can remit funds to a Philippine beneficiary through the Company's website using a debit card. The significant majority of remittances made by customers of the Company are for sums equivalent to approximately ₱10,000 to ₱15,000 or less.

As of the date of this Prospectus, the Company does not process outbound remittances from the Philippines.

The following table presents the total fee income for domestic and international inbound remittances processed by the Company for the periods indicated, broken down by country or region where the remittance originates.

	For the years ended December 31,		
	2013	**2014**	**2015**
Amounts in ₱ millions			
Country			
Philippines[(1)]	1,334.1	1,317.3	1,186.9

North America	5.3	36.3	38.4
Asia Pacific Region(2) (not including Australia and Philippines)......	4.9	29.9	43.8
Australia................................	1.7	7.7	11.9
Middle East(3).........................	2.5	7.5	7.5
European Union(4)..................	0.3	0.4	0.5
Others	-	15.2	107.1
Total.....................................	1,348.9	1,414.4	1,396.2

Notes:

(1) Figure represents domestic remittances (i.e. remittances wherein both the sender and the beneficiary are located within the Philippines).

(2) Includes Brunei, Guam, the Hong Kong Special Administrative Region, Japan, Malaysia, the Macau Special Administrative Region, the Republic of China (Taiwan) and Saipan.

(3) Includes Bahrain, India, Jordan, Kuwait, Oman, Qatar and the United Arab Emirates.

(4) Includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark Estonia, Finland, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

OPERATIONS

Logistics

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

Air Freight Forwarding

Domestic

For the years ended December 31, 2013, 2014 and 2015, total throughput of air freight forwarded by the Company amounted to approximately 13 million tons, 16 million tons and [•], respectively. The Company's end-to-end domestic air freight forwarding services involve the following steps: (1) acceptance (by pick-up or drop-off at a branch) (2) ground transport to a regional distribution center, (3) primary sorting, (4) loading to aircrafts (for air transport), (5) withdrawal by the receiving distribution center, (6) secondary sorting (if required) and (7) ground transport for delivery to final destination.

- Acceptance is the receipt by the Company of the customer's parcels and cargo, either through its pick-up service or at one of the Company's 1,231 customer contact points in the Philippines (as of September 30, 2016) where customers can drop off parcels and cargo. All parcels and cargo must be accompanied by a waybill from the customer providing the recipient's name, shipping address, description of contents, estimated value and other pertinent information. Upon receipt of the customer's parcel or cargo, the receiving agent affixes a barcode onto the package and scans the package, beginning the tracking process. The parcel or package is rescanned at every subsequent touch point throughout the transport process until its final destination.

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

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

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

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

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

International

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

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

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

Ground Delivery Fleet

Ground transport forms a key component of nearly all forms of delivery and forwarding services offered by the Company. Motorcycles and trucks are used for door-to-door pickup and delivery of parcels, cargo and money remittances, as well as ground transport of items destined for onward forwarding by air or sea. The vehicle fleet is also an integral part of the Company's contingency planning in the event that air and/or sea transport become unavailable. The Company also from time to time engages third party trucking and transportation companies. See "Business – Quality Assurance and Internal Controls– Business Continuity" on page 109 of this Prospectus.

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

As of September 30, 2016, the Company had a fleet of 1,764 vehicles (including 1,205 motorcycles and 559 vans), which were all leased. The Company's drivers and couriers are trained in vehicle operation safety, customer service, cash handling and other procedures. Vehicles are acquired on a lease-to-own basis pursuant to finance leases with a typical term of three years to ownership. The Company's vehicle fleet undergoes maintenance on a regularly scheduled basis, and vehicles are typically replaced every five to seven years. The Company began refleeting of most of its delivery vehicles in 2014. Comprehensive insurance is maintained for all of the vehicles. As of the date of this prospectus, the Company has over 1,700 vehicles in its fleet.

Sea Cargo Forwarding

For the years ended December 31, 2013, 2014 and 2015, total throughput of sea cargo forwarded by the Company for both retail and corporate shipments amounted to approximately 7,493 TEUs, 7,517 TEUs and 7,793, respectively. Of these, approximately 34%, 32% and 31%, respectively, comprised domestic shipments, with the balance comprising international shipments. As of the date of this Prospectus, the Company's sea cargo forwarding services are available domestically in Manila, Cebu, Bacolod, Iloilo, Davao, Cagayan de Oro and General Santos, and internationally in 22 countries and territories outside the Philippines.

The Company does not own ships and contracts with third party shipping carriers for these services. Domestic sea transport is provided by Oceanic Container Lines, Inc., 2Go Freight, Lorenzo Shipping Lines, Gothong Southern and Asian Marine Transport Corporation, among others, while international sea transport is provided through Orient Freight International (an international freight forwarding agency). The Company also entered into a partnership agreement with OHL effective August 1, 2013 to engage in international freight forwarding as an NVOCC. This allows the Company to contract directly with international shipping carriers rather than rely on another international freight forwarder. The Company intends to continue using Orient Freight International's services but may also seek to contract directly with other international shippers who provide attractive terms and rates.

The Company's sea cargo forwarding services are separated into retail operations and corporate operations.

Retail

Retail sea cargo comprises Balikbayan Boxes, which are primarily international inbound shipments (see "Business – Services – Logistics – Retail Logistics" on page 92 of this Prospectus) and intra-Philippine shipments. The basic forwarding process for Balikbayan Boxes is as follows:

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

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

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

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

- International inbound Balikbayan Boxes are in transit for three to four days (for shipments within Asia) or 30 to 35 days (for shipments from Europe or North America) prior to arriving in Manila. All such Balikbayan Boxes are received by the international freight forwarder at the Port of Manila and consigned to the Company at the Vitas Harbor Center Warehouse. Intra-Philippine shipments, which generally take between two and five days to arrive at their destination, are received at regional warehouses and distribution centers. For international inbound shipments, the Company's customs brokers facilitate procedures necessary to be undertaken with the Philippine Bureau of Customs, while its international freight forwarder arranges for customs brokerage in the international jurisdictions.

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

Corporate

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

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

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

Specialized Corporate Solutions

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

Operational Performance Indicators

The following table presents key operational highlights of the Company's Logistics business for the periods indicated:

	For the years ended December 31,		
Logistics	2013	2014	2015
On time delivery rate [(1)]	98.8	99.5	99.5
Acceptance/pickup for the year for the Company			
Air Cargo (₱)	2,211,237,233	2,760,557,150	2,760,557,150
Sea Cargo (₱)	639,300,032	828,047,833	828,047,833
Courier (₱)	1,411,993,467	1,570,227,005	1,570,227,005
Corporate[(2)]	230,103,735	182,381,908	182,381,908
Acceptance/pickup for the year for affiliates[(3)]			
Air Cargo (₱)	10,274,696	11,847,250	11,847,250
Sea Cargo (₱)	164,607,475	189,800,830	189,800,830
Courier (₱)	3,026,796	3,490,050	3,490,050
Number of couriers [(4)(5)]	1,259	1,240	1,240
Productivity per courier [(5)(6)]	54.0	65.0	65.0
Sorting efficiency (%) [(7)]	99.95	99.96	99.96
Number of corporate customers[(8)]	425	925	925

Notes:

(1) With exemptions of extreme situations (i.e., house closed, force majeure, etc.); also includes Pesopak deliveries (i.e., remittance deliveries made directly to beneficiary's doorstep).

(2) Includes Print and Mail and Specialized Corporate Solutions services

(3) Includes all international affiliates of the Company. The Company only charges a service fulfilment fee for these transactions.

(4) Monthly average

(5) For Philippines only

(6) Average number of parcels or cargo delivered by the courier measured on a daily basis; computed based on six work days per week

(7) Percentage of correctly-routed items over total items accepted

(8) Numbers are as of December 31 of the respective years

Money Transfer Services

Remittances

Infrastructure

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

The Global Remittance Team is in charge of operating the Company's remittance business. With respect to domestic remittances, its primary duties include, among others, reviewing daily acceptance values; forecasting the daily funding needs of each branch to meet fulfillment obligations; ensuring the proper safeguarding of cash at branches; overseeing the transport and deposit of cash into the Company's regional bank accounts (from which local managers of the branch offices can withdraw the funds); establishing and training branch employees in cash acceptance, anti-money laundering, customer identification and other policies; and reporting covered transactions and suspicious transactions to the BSP. With respect to international remittances, its primary duties include monitoring balances of revolving accounts and settlement of payments. The Global Remittance Team uses data collected from the Company's front-end POS software to analyze end-of-day acceptance information at all of the branch locations. This enables the Global Remittance Team to estimate the funding requirements for each branch on a daily basis. The Company is in the process of transitioning its POS system into a more fully integrated system with the rest of its business operating software. See "Business – Information Technology" on page 106 of this Prospectus. The integrated system is expected to be fully implemented in fiscal year 2016.

Domestic Partners

To expand its domestic network for remittance services, the Company and Eight Under Par, Inc. (a Philippine corporation doing business under the trade name "Palawan Pawnshop") entered into a non-exclusive agreement in June 2012 to serve as reciprocal fulfillment agents within the Philippines. Through the agreement, all of Palawan Pawnshop's 2,000+ branches in the Philippines (as of September 30, 2016) are available to provide instant branch pick-up services for beneficiaries of the Company's remittance customers, and all of the Company's branches in the Philippines in turn provide the same service for Palawan Pawnshop's customers. Both partners collect a reciprocal percentage of the service fee for performing services on behalf the other.

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

The Company also has relationships with local financial institutions, including RCBC, Philippine Veterans Bank and Union Bank of the Philippines, that issue pre-paid remittance debit cards offered to the Company's customers. See "Business – Services – Money Transfer Services – Domestic Remittances" on page 94 of this Prospectus. With these cards, customers can load the cards at any LBC branch and beneficiaries can withdraw cash from the remittance cards at any of the partner banks' ATMs and branch offices. These cards, which are powered by VISA, are also available for use at any location where VISA cards are accepted.

The basic process for domestic remittances is as follows:

- Branch Retail services enable customers who make remittances at any Company-owned branch in the Philippines to choose among the fulfillment options for their beneficiaries. Upon acceptance from the sender, there is an online facility that would process the request. Encashment alert is sent to the specified branch and the latter ensures fund availability to serve the consignee.

  - *Peso pak*, a service by which remittances are delivered directly to the beneficiary's doorstep.
  - *Instant branch pick-up*, a real-time cash pick-up remittance facility in which funds become instantaneously available for pick-up by the remitter's beneficiary once the sending party has made the payment at a Company-owned branch; the sending party can designate any pick-up location or geographic zone within the Company's domestic network (including both Company-owned branches and branches of its partner, Palawan Pawnshop);
  - *Remit-to-account*, a service by which funds accepted from a sender at a Company branch will be directly deposited to the designated local bank account of the beneficiary.

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

International Remittance Agents

To expand its international reach, LBC Express, Inc. has also entered into agreements with affiliates and remittance fulfillment agents in a dozen countries and territories outside of the Philippines. These agents include international remittance houses such as Money Exchange in Spain; Al Ghurair Exchange, Al Falah Exchange and Speed Remit in the United Arab Emirates; TML Remittance Center and Placid Express in Malaysia; Far East Express and RJ Mart in Taiwan; and Manila Trading in Australia, among others, as well as Philippine financial institutions with strong international presence such as Metrobank, Land Bank of the Philippines and RCBC. Through the extended networks of its agents, the Company provided fulfillment services for inbound remittances originating from over 22 other countries and territories (as of September 30, 2016), although the Company transacts only with its direct agents. Under the terms of the fulfillment partnership agreements that the Company enters into, direct agents are permitted only limited use of the "LBC" name, trademarks and other protected signs when transacting business on behalf of the Company and still carrying on business under their own corporate and trade names. The Company receives a fixed percentage of the agent's revenues in exchange for its services in relation to inbound international remittances. The Company requires most of its remittance agents to maintain a revolving fund for advance funding cover, which must be replenished when the balance falls beneath a set threshold. This is to ensure that the Company bears minimal credit risk when making payouts on behalf of international agents. In addition, most of the agreements have in place a maximum remittance value per transaction as a further risk mitigation tool, typically ranging from ₱75,000 to ₱100,000.

The basic process for domestic remittances is as follows:

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

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

Bills Payment Collection and Corporate Remittance Payouts

The majority of the Company's bills payment collection services are governed by an agreement with Bayad dated January 21, 2013, under which the Company subcontracts with Bayad to perform third-party bills collection services for a group of vendors, including utility companies, telecommunications companies and others, with whom Bayad has contracted. The term of the agreement is three years with a renewal option thereafter by mutual consent of the parties. The Company collects a service fee from Bayad each month based on the total number of valid transactions it has processed that month. At the close of each business day, a payment transaction report is generated for each vendor and transmitted to Bayad. The Company must then deposit the day's collections into a designated bank account of Bayad by the following day.

The Company also contracts directly with certain organizations, such as the Philippine Social Security System, private insurance companies and certain employers, to serve as a corporate payout agent. See "Business – Services – Money Transfer Services – Domestic Remittances" on page 94 of this Prospectus.

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

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

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

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

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

Operational Performance Indicators

The following table presents key operational highlights of the Company's Money Transfer Services business for the periods indicated:

	For the years ended December 31,		
Remittances	2013	2014	2015
Domestic remittances			
Number of transactions	17,989,072	17,387,056	14,473,606
Fee income (₱)................................	1,282,694,452	1,258,024,824	1,121,257,039
Service locations[1]	3,363	3,588	3,768
International inbound remittances			
Number of transactions	245,322	1,563,504	4,734,000
Fee income (₱)................................	15,271,295	97,044,436	209,332,208
Bills Payment Collection and Corporate Remittance Payouts			
Number of transactions	8,149,032	11,611,939	13,898,394
Fee income (₱)................................	51,403,371	59,253,196	65,593,389
Service locations.............................	1,085	1,134	1,243

Notes:

(1) At period end. Includes Company-owned branches and, beginning in fiscal 2013, Palawan Pawnshop branches.

(2) Domestic remittances service locations for 2013 comprises 1,090 domestic Company-owned branches as of (Dec 31, 2013) and 2,525 Palawan Pawnshop branches (as of Nov. 30, 2013).

MARKETING AND SALES

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

Brand Equity

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

The Company has recently undertaken a re-launch of the "LBC" brand, which began in November 2013. The re-launch involves an update of the "LBC" logo, a new Company slogan ("We like to move it"), a revamp of its website and re-outfitting of its vehicle fleet and branch offices to reflect the new design. The re-launch of the brand and other measures are intended to promote a positive cultural shift to its business and employees, manifesting the Company's ethos of constant evolution and adaptation to the times. External consultants were engaged and market research was conducted in planning the re-launch.

Corporate Sales Force

The Company's corporate sales are conducted through its dedicated sales and marketing teams which, as of December 31, 2014, comprised 16 field account managers in charge of client relationship management. To better manage its corporate accounts, the Company has also invested in sales order management software designed by SAP that helps the Company maintain records on the processing of sales orders, accounts, inquiries, quotations, contracts, billing, returns processing, consignment, sales planning, sales reporting and customer analytics. In addition to automating several aspects of sales record keeping, this program is also expected to help the sales force gain marketing and business intelligence as well as improve customer retention.

Advertising

The Company regularly advertises over media channels such as TV, radio and print. The Company also sponsors community events such as the Ronda Pilipinas, the largest Philippine cycling race, and sporting events of the Filipino world champion boxer Manny Pacquiao.

INFORMATION TECHNOLOGY

Operational

The Company relies on its IT networks and systems for both its Logistics and Money Transfer Services businesses and believes that maintaining advanced technological systems is integral to remaining competitive in its industry. For both its Logistics and Money Transfer Services businesses, the Company utilizes its proprietary integrated POS system for documenting front-end acceptances of shipments, remittances and bill payments. The integrated system enables centralized back-office monitoring of the branch, warehouse and distribution center operations. In addition to the POS system, the Company uses scanning technology for tracking and tracing of packages, as well as a specialized sorting machine unit for high volume mail printed on behalf of certain corporate clients as part of its "Print and Mail" service. The sorting machine unit is capable of sorting approximately 20,000 pieces of mail per hour.

The Company is currently in the process of implementing an updated proprietary IT system that will integrate several components of its existing operational IT systems. The integrated system, VISTRA, will combine the POS system that the Company currently uses to manage its front-end acceptances for shipments, remittances and bills payment collections, the INCA software for sea cargo acceptance and the Company's track and trace scanning system in order to allow for more efficient transactions at the point of sale, improve inventory control and tracking and centralize customer management. In addition, the Company has recently begun the process of outfitting each of its couriers with handheld scanners, which will increase the efficiency and minimize human error in documenting daily pick-ups and deliveries. The Company also plans to adopt put-to-light sorting technology for its non-bulk mail, which will help automate some aspects of the parcel sorting process currently completed manually. See "Business – Key Strategies – Continue to invest in IT infrastructure and operations to enhance efficiency and service quality" on page 84 of this Prospectus.

Business Management

The Company uses a comprehensive suite of customized business management solutions software designed and licensed by SAP. The Company has utilized SAP's finance applications for several years now and, in the fourth quarter of fiscal 2013, has also begun using SAP's software solutions for human resources management, asset management, product development, procurement, supply chain management, sales, route-planning for the Company's delivery fleet and others. The Company believes that the integrated SAP software solutions will bring it both short-term and long-term productivity gains and cost savings. The Company expects to have part one of the fully integrated system in place by fiscal year 2016.

Online and Mobile Platform

To enhance the customer experience, the Company has developed a digital platform that enables online real-time transaction processing and customer service through its website (*www.lbcexpress.com*). Currently, the Company's website contains several interactive features for its customers, including package tracking, rate calculators and scheduling of pick-ups for parcels and cargo, as well as real-time customer service support through the "Live Talk" capability. The Company also has a mobile phone application, "LBC Mobile Remit," which facilitates remittance transactions for customers by enabling them to release funds to beneficiaries by way of mobile phone.

INTELLECTUAL PROPERTY

The Company uses a variety of registered names and marks, including the names "LBC Express, Inc.," "LBC Express," "LBC", "Hari Ng Padala" (Tagalog for "King of Forwarding Services") and "WWW.LBCEXPRESS.COM" as well as the traditional and the re-designed "LBC" corporate logos (including the new slogan "We like to move it"), the "Team LBC Hari Ng Padala" logo and "LBC Remit Express" logo in connection with its business. Except for the "LBC Remit Express" design and logo 9registered on July 26, 2012 and expires on July 26, 2022) and the LBC in rectangular box and Pesopak logo (registered on May 31, 2012 and expires on May 31, 2022), which are owned directly by the Company, these marks (collectively, the "LBC Marks") are owned and licensed to the Company by LBC Development Corporation, the Company's parent company, pursuant to a trademark licensing agreement. Under the terms of this agreement, the Company has the full and exclusive right to utilize the LBC Marks in consideration for a fixed royalty fee of 3.5% of the Company's annual gross revenues (defined as all revenue from sales of products and services, direct and indirect, relating to the Company's business operations). Pursuant to an addendum signed October 25, 2013, the fixed royalty fee was lowered to 2.5%, effective December 1, 2013. Under the agreement, the Company also has the right to extend the use of the LBC marks to its subsidiaries (defined as companies in which the Company holds at least 67% of the voting rights) within the Philippines, as well as to its remittance and cargo/courier/freight forwarding fulfillment service partners and agents in the Philippines and abroad, subject to certain terms and conditions. In practice, foreign agents of the Company are granted very limited use of the "LBC" brand and logos pursuant to the individual agency agreements entered into between them and the Company.

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

PERMITS AND LICENSES

All governmental approvals, permits and licenses issued by the appropriate government agencies or authorities, which are necessary to conduct the Company's business and operations, have been obtained.

COMPETITION

Logistics

The Company believes that it is a leader in the retail logistics industry. In 2012, the Company was the leader in air freight forwarding in the Philippines, with 41.8% of domestic market share based on throughput by weight, according to the Civil Aeronautics Board. The Company believes that it has been the top importer of Balikbayan Boxes in terms of throughput for the past 20 years. Although the Company has a leading position and significant market share in the courier and air freight forwarding industry, the Company's faces competition from AP Cargo Logistics Network Corporation, Wide World Express, Inc., Ximex Delivery Express, Airfreight 2100, Inc., and JRS Business Corporation. The Company's international competitors include DHL, FedEx and UPS. However, international freight forwarders have historically not been strong competitors of the Company in the Philippines due to certain restrictions on foreign ownership in the cargo industry in the Philippines (see "Philippine Foreign Exchange and Foreign Ownership Controls" on page 187 of this Prospectus), as well as the high barriers to entry created by the dispersed geography of the archipelagic nation.

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

Money Transfer Services

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

QUALITY ASSURANCE AND INTERNAL CONTROLS

Quality Assurance

The Company is committed to providing high quality service for customers in all areas of its business. To this end, it has in place standards and procedures to ensure a quality, reliable and seamless customer experience. The Company has in place the following procedures to monitor the quality of its services on a regular basis, as well as plan for contingencies that may otherwise cause an interruption in its business.

Discrepancy Reporting and Undeliverable Items

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

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

Cash Collection and Management

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

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

Business Continuity

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

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

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

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

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

PROPERTY AND EQUIPMENT

Real Property

As of the date of this Prospectus, the Company does not own any real property.

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

In addition, the Company leases the spaces for all of its 1,090 Company-owned branches in the Philippines, as well as its regional distribution centers, delivery hubs, container freight stations and warehouses. The average term of these leases is three to seven years, with renewal options under most of the lease agreements. Branch offices are refurbished approximately every five to seven years, and the Company considers strategic relocation of branch offices from time to time to meet changing market demands.

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

For the years ended December 31, 2013, 2014 and 2015, the Company's total rental expense was ₱415.7 million, ₱436.5 million and ₱481.0, respectively.

Equipment

Other property and equipment owned by the Company in the Philippines primarily comprises its fleet of 1,764 delivery vehicles (including 1,205 motorcycles and 559 vans as of September 30, 2016), servers, computers and peripheral equipment, software, vaults, handheld scanners, X-ray scanners and its bulk mail sorting machine.

EMPLOYEES

As of September 30, 2016, the Company had, on a consolidated basis, 6,387 full-time employees, compared to 7,110 and 7,369 full-time employees as of December 31, 2015 and 2014, respectively. The Company continues to add to its workforce on a regular basis in line with the growth of its business. In the next twelve months, the

Company expects its workforce to increase to 7,452 full-time employees. Under the Company's hiring policy, all branch employees must have at minimum a college degree, while exchange associates and drivers and couriers are generally required to have completed a two-year vocational course or the second year of college. Employees of the Company in the Philippines are primarily trained in-house.

The Company maintains a non-contributory defined benefit plan covering all qualified employees in the Philippines. In addition, in the fourth quarter of fiscal 2013, the Company established an early retirement option for its employees in the Philippines with a tenure exceeding 10 years. The early retirement option involves a one-time severance payout for employees who opt in based on annual salary and years of service at the Company. The expenditure for severance payouts is expected to be approximately ₱250,000,000 in fiscal 2014 and ₱22,000,000 in fiscal year 2015. The Company expects the early retirement option to bring down the average age and salary of its workforce in the Philippines and to decrease its salaries and wages expense moving forward.

The following table sets out the number of employees of LBC Express, Inc. by job function as of September 30, 2016:

	Number of Employees
Management and Administrative Associates	177
Central Exchange and Regional Distribution Center Associates....	123
Branch Associates..	3,737
Drivers and Couriers..	1,626
Other	724
Total...	**6,387**

Note:

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

As of the date of this Prospectus, four Company subsidiaries in the Philippines have entered into collective bargaining agreements with their respective employees, with approximately 708 employee memberships. Approximately 359 of these employees in the Philippines belong to one of the four labor unions and the remaining approximately 151 employees belong to one of the other three labor unions. The Company believes that there is sufficient coverage by its other, non-unionized subsidiaries to provide back-up support in the event of a disruptive labor dispute at any given unionized subsidiary. In addition, because freight forwarding and messengerial services may be considered indispensable to national interest in the Philippines, the Secretary of the Department of Labor and Employment in the Philippines has the discretion to end strikes or certify the same to the National Labor Relations Commission for compulsory arbitration pursuant to Article 263(g) of the Philippine Labor Code, even in cases involving private providers of such services. Such cessation order or arbitration certification would have the effect of automatically enjoining an intended or impending strike or, if one has already taken place, of requiring all striking or locked out employees to immediately return to work and all employers to immediately resume operations. The Company has not experienced any disruptive labor disputes, strikes or threats of strikes for at least the past decade. Management believes that the Company's relationship with its employees in general is satisfactory.

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

Department and Legal Department, to monitor its continued compliance with labor, employment and other applicable regulations.

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

INSURANCE

The Company carries insurance of the types and in amounts that are customary in its industries and that it believes will reasonably protect its interests. The Company maintains a commercial all-risks policy with UCPB General Insurance Co, Inc., which covers property damage, machinery breakdown and money insurance, among others. The Company also maintains a group life insurance policy with Philippine American Life and General Insurance Company. Finally, the Company maintains a personal accident insurance policy with Chartis Philippines Insurance Inc.

The Company also requires its contractors, as well as other vendors, to maintain certain insurance policies. In the case of freight forwarded by air or sea, the airline carrier/sea carrier bears the liability of delay or loss while the shipment is under its consignment, and the Company can counterclaim against these carriers if the customer makes a claim against the Company. In each case, these insurance policies are subject to various caps on liability, on both a per claim and aggregate basis, as well as certain deductibles, exclusions, and other terms and conditions. See "Risk Factors – Risks Relating to the Company's Business – The Company may not have adequate insurance to cover all potential liabilities or losses" on page 39 of this Prospectus.

LEGAL PROCEEDINGS

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

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

On November 2, 2015, LBC Development Bank, Inc., through PDIC, filed a case against LBC Express, Inc. and LBC Development Corporation, among other respondents, for a total collection of ₱1.82 billion. The case is in relation to the March 17, 2014 demand letter representing collection of unpaid service fees due from June 2006 to August 2011 and service charges on remittance transactions from January 2010 to September 2011. The increase in the amount from the demand letter to the amount contained in the case was explained by PDIC in the complaint as attributed to their discovery that the supposed payments of LBC Express, Inc. seem to be unsupported by actual cash inflow to LBC Development Bank.

On December 28, 2015, the summons, together with a copy of the Complaint of LBC Development Bank, Inc., and the writ of preliminary attachment were served on the former Corporate Secretary of LBC Express, Inc. The writ of preliminary attachment resulted to 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 has the effect of preventing the registration or recording of any shares in the records, unless the writ of attachment is lifted, quashed or discharged.

On January 12, 2016, LBC Express, Inc. filed with the regional court, its 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 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 regional trial court issued the order to lift and set aside the writ of preliminary attachment. The order to lift and set aside the preliminary attachment directs the sheriff of the court to deliver to 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 shall stand in place of the properties so released and shall serve as security to satisfy any final judgement in the case.

Pursuant to the Order of the Makati City Regional Trial Court – Branch 143 dated 17 February 2016 setting aside the writ of preliminary attachment and garnishment, RCBC Stock Transfer Department has effected, as of 13 July 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.

As of date, there is no outcome yet of the Motion to Dismiss the Complaint for collection of the sum of ₱1.82 billion. The ultimate outcome of the case cannot be presently determined.

CORPORATE SOCIAL RESPONSIBILITY

Community Outreach

The Company makes donations from time to time to its affiliate LBC Hari ng Padala Foundation, Inc., a non-profit organization owned by LBC Development Corporation that engages in a variety of charitable activities such as providing food and medical care to those in need, operating a recycling facility whose proceeds are donated to public schools and parks, and providing books and other materials to schools through various non-governmental agencies.

Environmental Initiatives

The Company is committed to reducing environmental impact in its operations while at the same time maximizing efficiencies. In particular, one of the initiatives it is exploring is to effectively consolidate shipments to maximize delivery truck utilization. Similarly, trucks receiving goods from within Metro Manila will be made to deliver the shipments directly to the Company's cross-dock facility, eliminating the need to have smaller trucks transport these shipments for delivery from the hangar or other delivery point. The Company expects these measures to significantly reduce fuel consumption, help improve the Metro Manila traffic situation and minimize its carbon footprint.

RECENT DEVELOPMENTS

33 branches of LBC Express – SMM, Inc., a subsidiary of LBC Express, Inc. were shut down by the BIR due to alleged unpaid taxes.

On September 24, 2015, the BIR padlocked a total of 33 branches of LBC Express - SMM, Inc., a subsidiary of LBC Express, Inc. due to an alleged non-payment under-declaration of taxable sales during the last three years in an amount amounting to approximately ₱145.7 million. In addition, LBC Express – SMM, Inc. modified or integrated 75 point-of-sales machines without the approval of the BIR. It was asked by the BIR to pay its tax liabilities and file value-added tax returns with correct taxable receipts.

LBC Express, Inc. has denied the allegations made by the BIR and has stated that its value-added tax payments were properly made and proven to the BIR.

After conferring with the BIR on this matter, on September 30, 2015, Revenue Deputy Commissioner for Operations Nelson M. Aspe signed the lifting of the closure order following reports of Makati Revenue Regional Director Jonas DP Amora and Muntinlupa Revenue District Officer Cristy Barroga that LBC Express – SMM, Inc. has already settled its value-added tax liabilities. The Muntinlupa Revenue Regional Director described the tax trouble encountered by LBC Express – SMM, Inc. as “technical”. The BIR allowed LBC Express - SMM, Inc. to reopen its 33 branches in South Metro Manila on September 30, 2015.

INDUSTRY

The information set out in this section "Industry" includes the reports prepared by *Transport Intelligence and by Ken Research. Transport Intelligence and Ken Research were retained to estimate the potential of the logistics industry and remittance industry, respectively, in the Philippines.*

PHILIPPINE LOGISTICS INDUSTRY

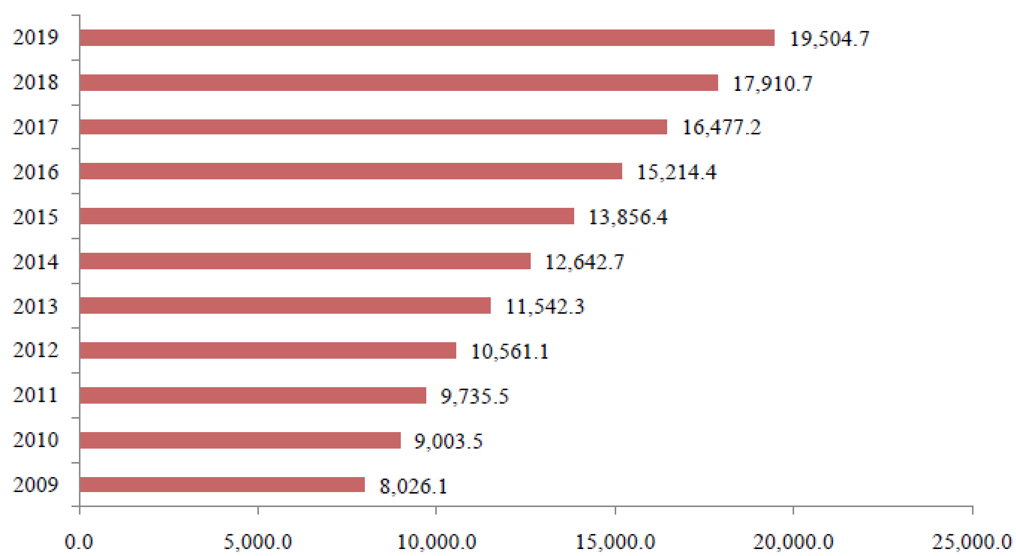
Philippine Macro Economy

The Economy

From 2009 to 2014, Philippines' GDP grew at a CAGR of 9.5% and reached ₱12,642.7 billion in 2014. In 2014, the Filipino economy received substantial contribution from the Service sector, which contributed 57.3% to GDP due to the growth of Business Process Outsourcing (BPO) services. Manufacturing and construction, and Agriculture, forestry and fishery contributed 31.4% and 11.3% to GDP respectively in 2014.

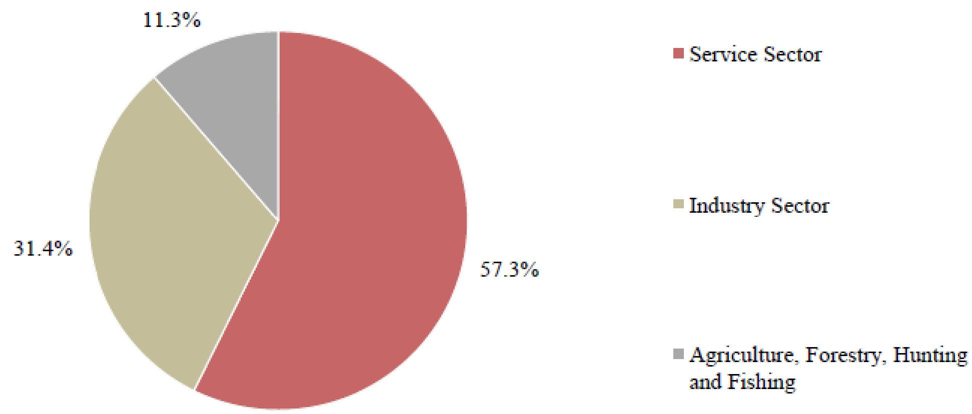
GDP is estimated by Ken Research to grow at a CAGR of 9.1% from 2015 to 2019 to reach ₱19,504.7 billion by 2019. This is expected to be driven by continued growth in the service sector and increased contribution from the manufacturing sector due to the expansion of manufacturing units and increase in the number of manufacturing players.

<u>Philippines' Gross Domestic Product at Current Prices in ₱ Billion, 2009 – 2019</u>



Source: Philippines Statistics Authority, Ken Research Estimates

Components of Gross Domestic Product of Philippines at Constant Prices in Percentage, 2014



Source: Philippine Statistics Authority

External Trade

Philippines' total exports of goods grew at a CAGR of 10.1% from USD 38,435.8 million to USD 62,102.0 million between 2009 and 2014, led by exports of electronic products such as semiconductors and consumer electronics, and apparel and clothing accessories. Exports are expected to grow at a 6.8% CAGR from 2015 to 2019 to reach USD 86,125.3 million by 2019.

Philippines' total imports of goods grew at a CAGR of 8.7% from USD 43,091.5 million to USD 65,398.0 million between 2009 and 2014, led by imports of electronic products such as semiconductors and consumer electronics; mineral fuels and lubricants, industrial machinery and equipment, dairy products, chemical materials and non-ferrous metal. Imports are expected to grow at a CAGR of 8.7% from 2015 to 2019 to reach USD 99,156.6 million by 2019.

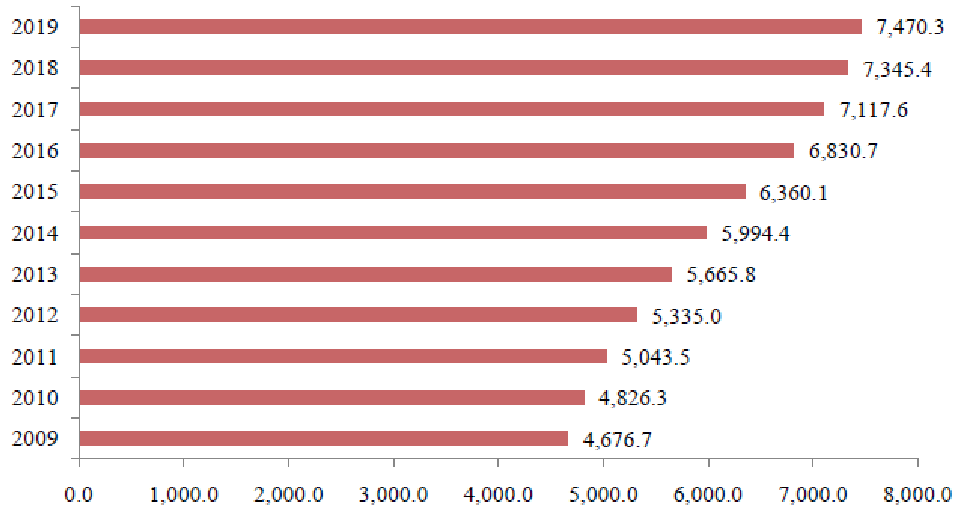
Source: IMF World Economic Database April 2013

Demographics and Income Distribution

The population is estimated at 100.0 million people in 2014, growing at a CAGR of 1.7% between 2009 and 2014. Ken Research estimates the population to grow at a CAGR of 1.5% between 2015 and 2019 to reach 107.6 million.

Average household income was estimated at USD 4,678 in 2014. Average household income had grown by a CAGR of 5.1% from 2009 to 2014 and Ken Research estimates growth by a CAGR of 4.5% from 2015 to 2019 to reach USD 7,470 with an increase in employment and personal disposable incomes.

Average Household Income in Philippines in USD, 2009-2019



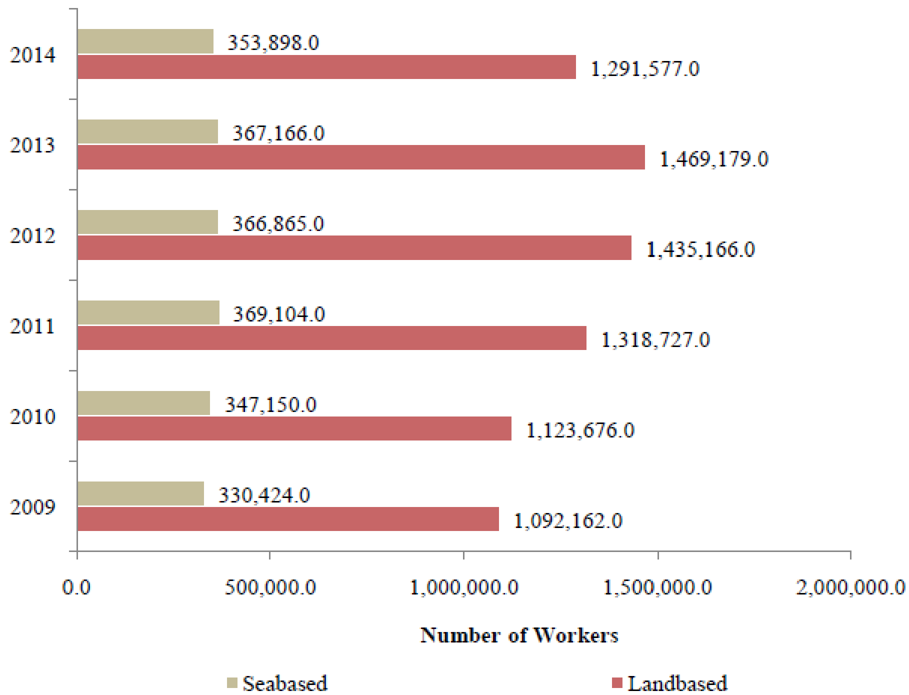
Source: Philippines Statistics Authority, Ken Research Estimates

Migrants

Migration of labor is a mode of movement of Filipinos to other countries because of scarcity of jobs, inadequate income in the Philippines and due to the demand, principally in less skilled occupations in overseas nations.

Total number of deployed land-based OFWs was 1,291,577 in 2014, increasing from 1,092,162 workers in 2009 with a CAGR of 3.0%. These land-based workers were deployed in 190 countries throughout the world, with land-based OFWs constituting 78.5% of the total deployed Filipino workers employed abroad in 2014.

Number of Deployed Land-Based and Sea-Based Overseas Filipino Workers, 2009-2014



The Express Sector

The Philippine express and logistics sector comprises a number of different segments, some similar in nature to those in other developed and emerging markets and others unique to the Philippines.

Introduction

Domestic Express Market

Express delivery comprises of services for documents, mails, parcels and couriers at a premium price for faster delivery times. The domestic express consists of express delivery services which cater to shipments only within the geographic region of the Philippines and has gained popularity amongst the Filipino population.

LBC Express, PHL Post, 2GO and Air 21 have been few of the prominent names in the domestic express delivery market. The competition amongst the players has been limited due to the presence of major player who have dominated the industry due to the development of brand value and a sense of security amongst the Filipinos.

International players have entered into the local Filipino market via a number of collaborations with domestic companies which include LBC Express with DHL, PHL Post with DHL, and FedEx and 2Go. This has increased competition but also helped in the inception of global technology and processes which can help improve the value chain of the Philippines domestic express delivery market.

International Express Market

The international express delivery market in the Philippines is dominated by four key global players namely DHL, Fed Ex, United Parcel Service and TNT Express. The express services offered by these companies include time definite shipment of parcels and documents to various countries across the world.

Balikbayan Box Market

Balikbayan boxes are ridged container boxes which contain various goods sent by overseas Filipino workers, also known as Balikbayans, to the homeland. These boxes form part of the Filipino tradition in which people who possess improved living conditions and stronger financial platforms share their wealth with their Filipinos in the native country. Balikbayan boxes have been majorly standardized into three sizes, confined to certain dimensions to obtain better packaging and easier logistic services.

Despite a large number of Filipinos working in foreign nations, this market has experienced slow growth in recent years due to variables, such as global economic recession and delayed shipments, which have swayed foreign workers to deliver Balikbayan boxes themselves on a visit to the native country.

Global Drivers and Trends

Cyclical Functionality

The growth of global express delivery sector has relied on changes in the world trade scenario. Express delivery companies, which provide time defined shipments with tracking technology to meet business requirements, have witnessed a cyclical change in market conditions which depend upon global trade and economic growth conditions. After the global economic slowdown, which resulted in a significant reduction in trade volumes, the sector has observed a gradual recovery. This has led to an increase in volume of shipments which in turn has driven the express delivery market. Moreover, the express delivery industry has also been dependent on the consumption demand. An escalation in demand of express delivery services after global recession have allowed for the growth of players in this market. The above mentioned factors, namely, global trade, economic growth and consumption demand have showcased a cyclical process and have governed the revenues generated by this market.

Mergers and Acquisitions

The competition in the express delivery market has intensified in the past five years with the presence of a large number of global players. Organizations such as DHL and FedEx have continued their research and development to provide superior services to customers. However, the local and regional markets have been governed by smaller players. Hence, in order to sustain growth, industry leaders have begun to acquire small size enterprises which provide efficient express delivery services on a regional level. Moreover, the increase in internet penetration across the globe has driven acquisitions of portals through which shippers have automated their management systems. For example, C.H. Robinson acquired Freightquote.com which is one of the largest online freight broker companies in the United States of America. Also, FedEx has acquired GENCO, a specialist in handling product returns, to boost its shipping revenues. The expansion of large players in the express delivery services through acquisition of smaller players has not only increased the volume of customers but has also resulted in an increase in market share of these companies.

Shift towards Emerging Markets

One of the factors, which have contributed towards development of express delivery market have been the volume of trade between different nations. The global market has observed an increase in trade capacity of developing nations and has hence attracted the express delivery sector. A heightened consumption of express delivery services in the developing nations has attracted potential players for investments. High demand of goods from foreign countries along with export of domestic production has driven the growth of this sector. The shift of global express delivery sectors has also led to the emergence of value added third party logistics providers which have focused on express delivery services. The emergence of new companies to adapt to the emerging markets through new innovative techniques has been observed in the last five years.

Philippines Drivers and Trends

Focused Investments in Infrastructure

The expansion of economic condition has accelerated infrastructural developments in the country to support logistics and freight forwarding services which form an essential part of the Filipino economy. An increase in volume of traded goods has led to the development of new and advanced infrastructural facilities which has acted as a crucial requirement in the supply chain solutions. Moreover, companies in this sector have initiated to focus upon premium delivery services which have gained substantial popularity in the country. Such a development has led to heightened focus of investments in infrastructural facilities such as transportation and storage.

Amplified Demand From Middle Class

The macroeconomic variable, the middle class population, has influenced the express delivery market in Philippines. The rise in middle class population in the country has contributed to the expansion of express delivery market by higher volume of orders. It has been observed that Filipinos are categorized under the middle class social bracket in the Philippines that have created a high demand for express delivery services. The middle class Filipino population has been willing to pay a premium for secure and time saving services in comparison to normal logistics and freight forwarding services. The rise in personal disposable incomes of this segment of the population, which constituted approximately 25% of the total population in 2014, has given opportunity for growth of the express delivery market in the Philippines.

Rise in Trade Volumes

The rise in personal disposable incomes of the middle class population in the Philippines has resulted in a higher demand for goods in the domestic market. Such trends in the Philippines have driven trade flows and the growth in the express delivery market. In the year 2014, the Philippines registered imports worth USD 65,398 million whereas exports stood at USD 62,102 million. The rise in cargo traffic has driven customers to shift form general logistics and freight forwarding services to express delivery services. One of the major reasons for the shift in consumer preference has been the time-efficiency through express delivery. An increase in number of people has started to opt for express delivery services in order to transport goods at a faster rate.

Expansion of Ecommerce Industry

Ecommerce industry in the Philippines has grown significantly from 2009 to 2014. The online purchase of goods by Filipinos was recorded at approximately USD 1 billion in 2014. The increased penetration of digital systems in the country has bolstered the sales through ecommerce portals. Hence, the rise in competition in the ecommerce segment has instilled organizations to provide faster delivery options to their customers in order to gain a competitive edge in the market. This has in turn generated the requirement of express delivery services. The impact of ecommerce industry on the express delivery market in the Philippines has propelled the segment to a growth rate of 14.3% CAGR from 2009 to 2014. With an increase in number of ecommerce companies in the country, express delivery services have registered a higher demand from customers.

Barriers to Entry

Lack of Infrastructure Development

The major challenge in front of the express delivery services has been the deficit of rapid infrastructure development. The growth of infrastructural facilities has not been able to keep up with the swift expansion in the logistics and freight forwarding sector. This lack of infrastructural support has marred the expansion of the logistics industry in the Philippines.

High Upfront Capital Required

Another factor that has restricted the entry of a new player has been the capital required to operate in the express delivery market. The express delivery market has required additional resources such as robust inventory management systems, quick response teams and highly organized delivery systems. In order to obtain these functions, the capital required has been observed to be higher than general logistics and freight forwarding services. It has been observed that organizations first cater to logistics and freight forwarding sector and then gradually develop express delivery services in the Philippines.

Government Regulations

Government regulations have restricted international express delivery companies by requiring collaborations with local players in order to operate in the domestic market. This law has hindered the growth of international players in the local Filipino market. In the coming years, it has been expected that Philippines will witness an escalation in express delivery services with the increase in trade volume. More players will look forward to obtain a larger share in the express delivery market through competitive pricing, diversification of services, effective management systems and faster delivery times.

Domestic Express Market

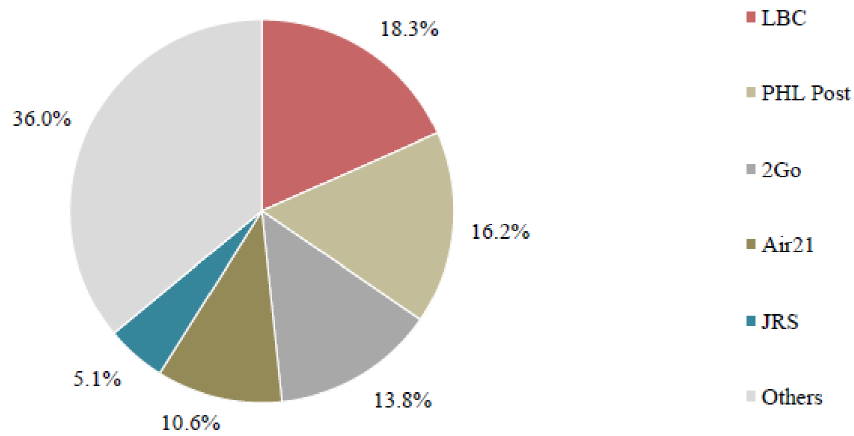
LBC Express, PHIL Post, Air21 and 2GO Logistics, largely dominate the market, and serve both businesses (corporate) and consumers. LBC Express was observed as the leading express courier service provider in the Philippines in 2014.

The domestic express and logistics firms have a strong presence in several cities nationwide and offer a broad range of integrated and door to door services to their customers.

Domestic Market Size / Share

Ken Research has estimated that the domestic services offered by express and logistics delivery providers in the Philippines was USD 198.1 million by revenue, contributing a share of 32.0% to the Philippine express delivery services market in 2014. LBC Express is the largest player with an estimated share of 18.3%. PHL is the next largest player with 16.2% and 2GO the third largest, having a market share of 13.8%.

Market Share of Major Players in Philippines Domestic Express Market on the Basis of Revenues in Percentage, 2014



Source: Ken Research

Pricing Analysis

The pricing analysis of the Philippines domestic express market represents the comparison between different companies on the basis of their product offerings. The cost of shipment of products such as documents, boxes and general cargo has been en-captured in order to understand the competitive pricing landscape. Companies such as LBC, JRS and 2Go have been considered in this analysis due to their larger share in the local Filipino express market.

Pricing Analysis of Document Shipments through Domestic Express Delivery Services in Philippines in Philippines Pesos, 2014

Company Name	Small Size (Up to 0.5 kg)	Medium Size (Up to 2 kg)	Large Size (Up to 3 kg)
LBC Express	363.0	1,718.2	-
JRS Express	105.0	233.0	-
2GO Logistics	97.5	105.0	110.0
Fast Cargo Logistics	75.0	85.0	115.0
PHL Post	100.0	205.0	-

Source: Company Reports, Ken Research
Note: These prices do not include valuation charges, processing tariffs and taxes.

Pricing Analysis of Boxes Shipments through Domestic Express Delivery Services in Philippines in Philippines Pesos, 2014

Company Name	Small Size (Up to 5 kg)	Medium Size (Up to 10 kg)	Large Size (Up to 20 kg)
LBC Express	240.0	760.0	1,393.0
JRS Express	420.0	670.0	1,660.0
2GO Logistics	380.0	750.0	1,300.0
Fast Cargo Logistics	240.0	400.0	690.0
PHL Post	290.0	610.0	1,220.0

Source: Company Reports, Ken Research
Note: These prices do not include valuation charges, processing tariffs and taxes.

Pricing Analysis of Cargo Shipments through Domestic Express Delivery Services in Philippines Pesos, 2014

Company Name	Basic Charges	Additional Charges per Kilogram
LBC Express	₱ 125 to ₱ 145 for 1 Kg ₱ 200 to ₱ 245 for 3 Kgs	-
JRS Express	₱ 165 for first 3 Kgs	₱ 82.5
2GO Logistics	₱ 330 for first 5 Kgs	₱ 45.0
Fast Cargo Logistics	₱ 150 for first 10 Kgs	₱ 13.0

Source: Company Reports, Ken Research
Note: These prices do not include valuation charges, processing tariffs and taxes.

Strengths / Weaknesses of Local Players

LBC Express:

- *Strengths:*
  - Leading local express delivery company in the country
  - The company possesses more than 800 strategically located branches in the Philippines
  - LBC caters to a diversified range of products
  - Network of overseas offices
  - Partnership with DHL Express for outbound shipments
  - Strong in retail sector
- *Weaknesses:*
  - Occasional inconsistency in time of delivery of packages
  - Incidents of improper handling of packages

    - High cost of services

PHL Post:

- *Strengths:*
    - Cost advantages
    - Highly secure and affordable delivery system
    - High expertise of employees and access to information
- *Weaknesses:*
    - Lack of flexibility in internal decision making
    - Weak brand
    - Poor online presence
    - Weak supply chain

2GO Express:

- *Strengths:*
    - Cost advantages over other local players
    - Presence of a strong supply chain
    - Financial leverage form 2Go group
    - Experienced business units
    - Strong in the corporate sector
    - Partnership with UPS for both outbound and inbound shipments
- *Weaknesses:*
    - High work inefficiencies
    - High staff turnover
    - Weak online presence

JRS Express:

- *Strengths:*
    - Costing advantages over other local players

    - JRS has been intensely competing with LBC for leadership in the market
- *Weaknesses:*
    - Inefficient work process
    - Poor customer service
    - Use of outdated technology for management

Air21:

- *Strengths:*
    - Air 21 is a licensee of FedEx
    - Wide transportation network
    - Equipped with latest technology for delivery management
    - High employee expertise
    - Strong in corporate sector, benefits from BPO industry and business expansions
    - Investments in IT and transportation fleets
- *Weaknesses:*
    - Poor marketing strategies
    - Inconsistent of service qualities outside the national capital region
    - High spending on technological innovations
    - No support for cold chain
    - No partner for outbound services
    - Reliance on partner companies for delivery volumes

International Express Market

The international express delivery market in the Philippines is dominated by four key global players namely DHL, Fed Ex, United Parcel Service and TNT Express. These four players together contribute about 88.0% to the international express delivery market in the country during 2014. The express services offered by these companies include time definite shipment of parcels and documents to various countries across the world.

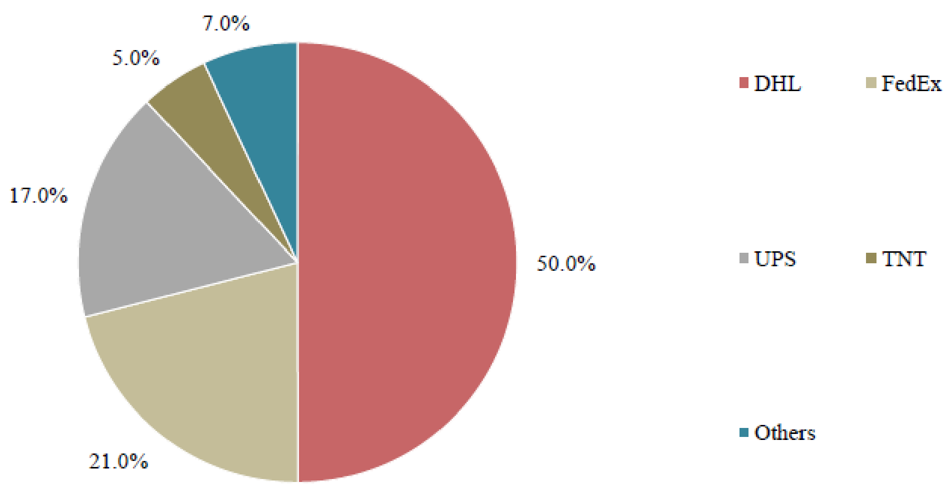
Factors such as high volume of international trade, shipments from overseas Filipino workers and increase in business activities have resulted in a higher volume of international express shipments in the Philippines. Moreover, due to the demand-based approach of the economy, the market has been on a steady rise.

Total International Express Market Size

Ken Research has estimated that the international services offered by express and logistics delivery providers in the Philippines was USD 421.0 million by revenue, contributing a share of 68.0% to the Philippine express delivery services market in 2014.

DHL was the leading international express delivery provider in the Philippines and held a market share of 50.0% through its alliance with PHL Post. FedEx was the second leading player with a market share of 21.0%, operating under the license of Air Freight 21, Inc in the Philippines. UPS was third with a market share of 17.0%. Players such as TNT, Nippon express and Agility along with several others accounted for only 12.0% of the market by revenues.

Market Share of Major Players in Philippines International Express Market on the Basis of Revenues in Percentage, 2014



Source: Interviews with Express Logistics Service Providers

Note: Others include Nippon, Agility, Panilpina, and many others.

The government of Philippines has encouraged foreign investments in order to boost growth of specific industries along with the growth of the overall economy. On a generic basis, foreign ownership can extend up to 100% equity apart from the sectors included in the negative list. Moreover, the change from 40% ownership limit on foreign companies has encouraged international firms to expand their services rapidly in the domestic market. Companies such as DHL, FedEx and UPS have spearheaded the process of business expansion in the Philippines express delivery market through strategic partnerships with domestic express players. Such alliances have widened the target audience for these firms and enhanced their brand image.

Local Delivery Partnerships in Philippines Express Delivery Market

International Company	Domestic Company	Year of Partnership	Key Facts
DHL	PHL Post	2013	• DHL has offered its time-definite deliveries at 12 PHL Post Locations • After the partnership, DHL has also catered to packages which are covered by PHL Post's EMS Service but are too heavy for the EMS service
DHL	LBC Express	-	• LBC has forged a strategic alliance with DHL process and manage in-bound shipments from foreign nations
FedEx	2Go	2014	• FedEx has expanded its retail network through alliance with 2GoLogistics • Customers have obtained the opportunity to proceed shipments through FedEx Authorized Ship Centers which have been established at 176 2Go Express outlets • Along with 2Go express outlets, FedEx has also utilized the Universal Storefront Services Corporation Outlets to provide its services in the local Filipino market
UPS	2Go	2009	• The partnership has focused to provide access more than 200 countries and territories to the customers of 2Go • Services such as UPS Worldwide Express, UPS Worldwide Express Plus, UPS Worldwide Express Saver and UPS Worldwide Expedited will be available for local Filipino 2Go customers

Source: Ken Research Analysis, Company Reports, Press

Balikbayan Market

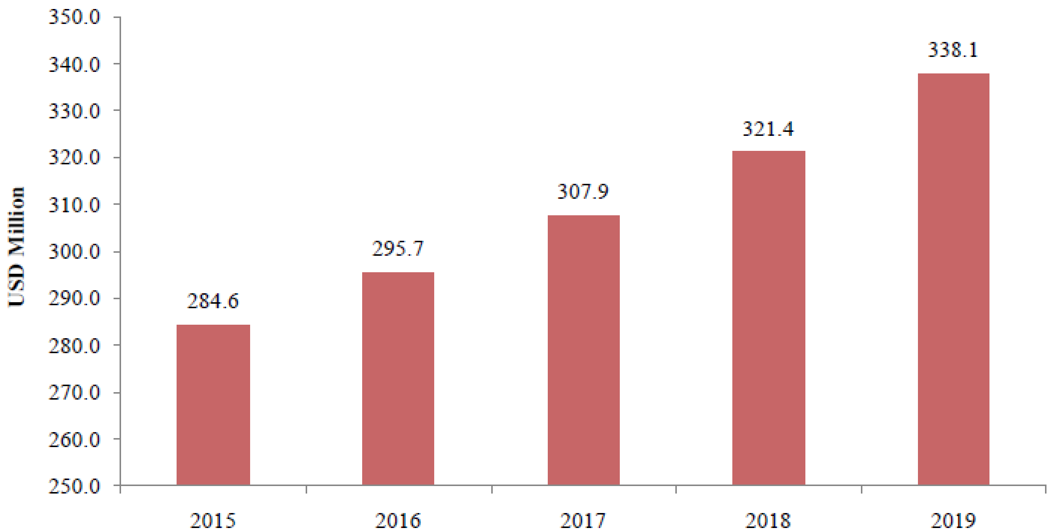
Overseas Filipinos generally use Balikbayan box service offered by foreign sea freight forwarders for sending their Balikbayan boxes to their relatives in the Philippines. These foreign consolidators offer door to door services to the OFWs and collect the charges from them for the service. These charges include the fees for a shipping line (carrier), terminal storage, duties and taxes from Bureau of customs, and the accredited Philippine local freight forwarder. It has been observed that the major countries from which the majority of the Balikbayan boxes are sent includes Middle East (Saudi Arabia, UAE, Kuwait and Qatar), the US, Hong Kong, Singapore, Italy, the UK, Korea and Taiwan.

Market Size / Growth

Ken Research has estimated that the Balikbayan box market stood at USD 275.0 million in 2014, growing at a 1.9% CAGR between 2009 and 2014. The market has been estimated to grow from USD 284.6 million in 2015 at a CAGR of 4.2% to reach USD 338.1 million by 2019.

However, despite of the positive trends observed in the Philippines Balikbayan market, it must also be noted that this segment is likely to face specific hurdles such as robust growth in e-commerce which is competing with Balikbayan boxes as people prefer to send the gifts online now. The rate of infrastructure development has lagged behind the expansion of the logistics and freight forwarding industry, reducing the pace of development which resulted in backlogs. The ports of Philippines have been clogged with unattended shipments which require customs and security clearances. Moreover, bans on truck routes have acted as an add-on to the threats to this market.

Philippines Balikbayan Market Future Projections on the Basis of Revenues in USD Million, 2015-2019



Source: Interviews with Logistics and Balikbayan Service Providers

Logistics and Forwarding Markets

The logistics market has been defined as the overall movement of goods in the country. It comprises of management of cargo flow. The logistics industry has been comprised of three main services for customers; they include, warehousing, freight forwarding and value added services. In the logistics industry, warehousing includes material handling and storing in storage facilities whereas freight forwarding includes the movement of goods from one point to another. On the other hand, value added services which include packaging, material handling, inventory management and security have been considered as special customer services. The revenue generated in the logistics industry has been calculated by summation of the revenues generated in the individual segments. The earnings made in this market are based on retail price of services.

General Corporate Logistics Sector

The express delivery and logistics market of the Philippines cater to both, Business to Business (B2B) and Business to Customer (B2C) clients. The market has been dominated by the B2B customers with a share of 62.0% in 2014. B2B customers mainly include corporate clients which require efficient movement of goods within and outside the country. The B2B segment consisted of the industrial sector clients such as automotive and transport equipments, retail, pharmaceuticals, industrial and engineering, and life sciences and healthcare. It has been observed the B2B clients in the express and logistics market of the country are mostly served by the international players such as Fed Ex, DHL, Nippon Express, TNT Express, UPS and other key international companies. This dominance of the international players in the B2B segment of the industry is due to the wide range of services offered by these players to the business customers. Additionally, international players have a widespread network in all the major countries in the world.

Freight Forwarding Sector

Freight forwarding companies form the link between suppliers and consumers. The major goods carried by freight forwarders in the Philippines include construction material, electronics, automotives and others. The growth in demand of freight forwarding services in the country has facilitated the ingress of multinational companies. Moreover, the steady increase in trade volumes in the past five years has supported the elevation of freight forwarding sector.

The freight forwarding market in the Philippines has comprised of a number of players which have operated in specific segments, namely, air, water and land. Domestic players such as LBC, Air 21 and 2GO have dominated the land, air and water networks in the domestic market, whereas, players such as DHL, FedEx, have dominated the international markets.

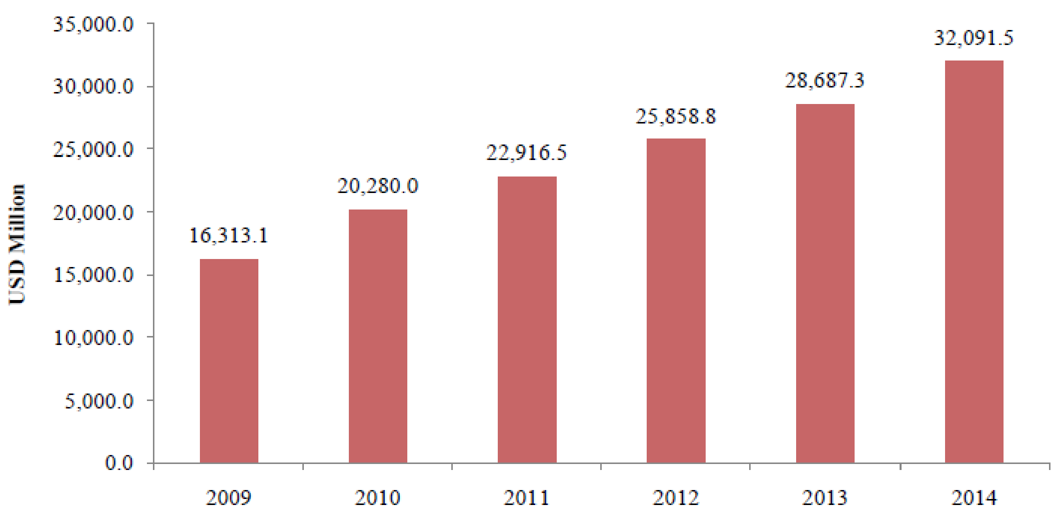
Companies such as 2GO Logistics have utilized the potential of freight forwarding sector through expansion of resources such as personnel, transportation systems and technology. In recent years, the entry of international players in the Filipino market through partnerships with local players has led to intensification in competition.

Freight Forwarding Market Size

Ken Research has estimated that the freight forwarding market stood at USD 32,091.5 million in 2014, growing at a 14.5% CAGR between 2009 and 2014 as a result of the steady increase in trade volumes. Road, sea and air freight had grown at a CAGR of 12.6%, 17.0% and 36.2% respectively over the same period.

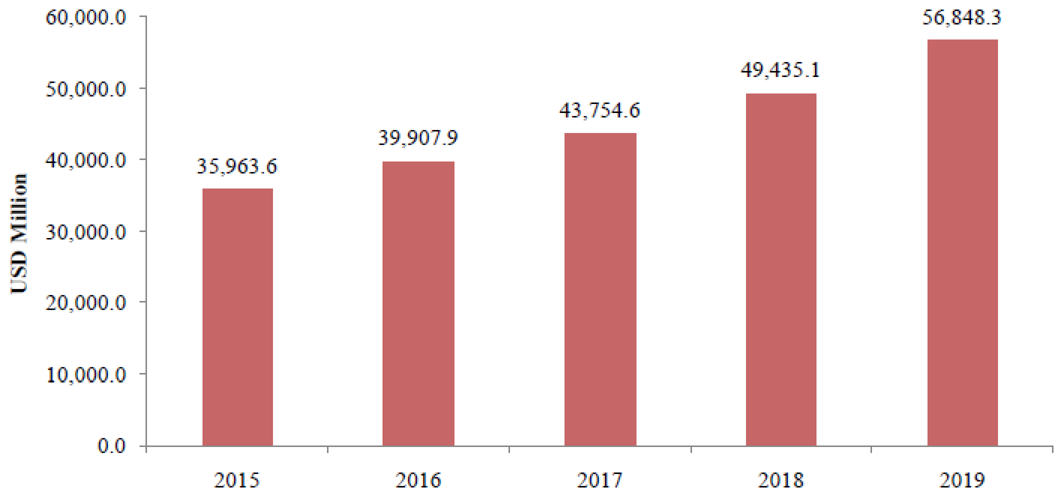
The market has been estimated to grow from USD 35,963.6 million in 2015 at a CAGR of 12.1% to reach USD 56,848.3 million by 2019.

Philippines Freight Forwarding Market Size by Transaction Volume in USD Million, 2009-2014



Source: Interviews with Freight Forwarding Service Providers, Ken Research Estimates

Philippines Freight Forwarding Market Future Projections on the Basis of Revenues in USD Million, 2015-2019

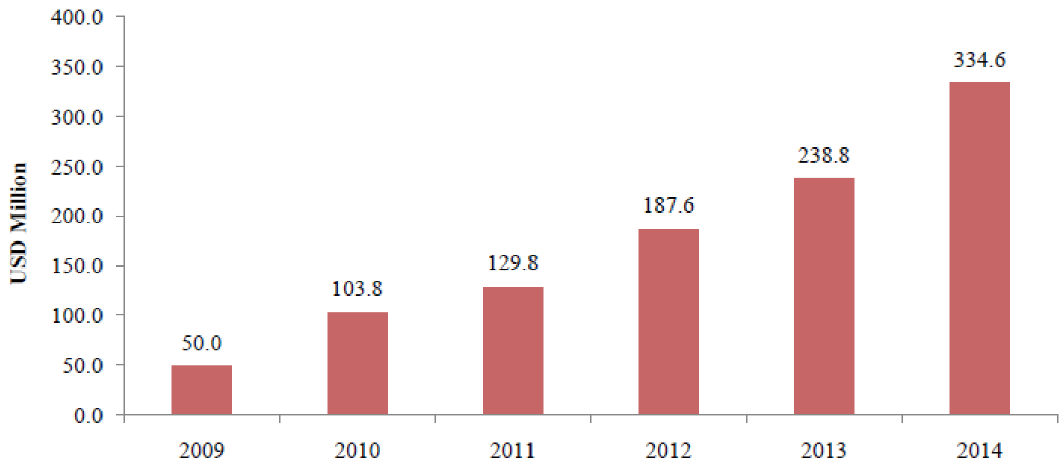


Source: Interviews with Freight Forwarding Service Providers, Ken Research Estimates

e-Commerce

The Philippines e-commerce logistics market has showcased steady growth over the years. The market grew at a CAGR of 46.2% from USD 50.0 million in 2009 to USD 334.6 million in 2014. The expansion in internet services and an increase in demand for online logistics servicers have boosted the development of ecommerce logistics industry. It was also observed that despite of the impact of the global economic recession on global trade scenario, the Filipino ecommerce logistics industry registered steady growth. The major factor behind the immunity of this industry during a slump in the international market was the high local demand from the Filipino population. The constant economic growth in the Philippines which has been based on domestic consumption allowed for the growth of this market. The market size of ecommerce logistics was recorded at USD 103.8 million in 2010 which further increased by 25.1% and 44.5% during the years 2011 and 2012 respectively. After such significant growth, the year 2013 recorded revenues from online logistics orders at USD 238.8 million.

Philippines E-commerce Logistics Market Size by Revenue in USD Million, 2009-2014



Source: Interviews with Logistics Service Providers

Note: E-commerce logistics market includes the sale of services through online order placement

PHILIPPINE REMITTANCE INDUSTRY

Macro Environment in Contact with Remittance Industry Performance

The Philippine economy is the 40th largest economy in the world and has been one of the most dynamic amongst other economies in the Asian region in the last few years. The economy of the Philippines grew by 6.1% in 2014, augmenting below the majority of expectations, including the government's estimate of a 6.5% to 7.0% growth. The total population in the Philippines was estimated at 100.00 million in 2014, growing by 1.6% from 98.4 million in 2013. Approximately 75.0% of the population inhabits two large islands. More than 50.0 million people, which is about half of the country's total population, lives on the main island of Luzon, where the capital Manila is situated. Metro Manila, the capital, and the urban sprawl that surrounds it, has an estimated population of more than 16.0 million and is one of the largest cities in the world. Disposable income per household in Philippines was USD 11,381.2 in 2014, growing by 12.4% from USD 10,125.6 in 2013.

The Overseas Filipino Workers (OFWs) space has been the most important source of growth in the Philippines economy. The sector has constantly showcased healthy performance with the deployment of OFWs augmenting at a compounded annual growth rate (CAGR) of 5.2% from 2009 to 2014. Total number of deployed land-based OFWs was 1,430,842 in 2014, increasing at a CAGR of 5.6% from 1,092,162 workers in 2009. These land-based workers were deployed in 190 countries across the globe. Land-based OFWs constituted 78.1% of the total deployed Filipino workers employed abroad in 2014.

Domestic Remittance Market

The market for domestic money transfers in the Philippines is exceedingly dynamic and has been maturing since the last many years. Domestic money transfers encompass both remote money remittances and payment of bills. In the last several years, the enormous market of international remittances has also enticed international players such as Western Union and Money Gram into the domestic money transfer market. Conversely, Philippines-based service providers such as banks, regional and national pawnshops, LBC Express, iRemit, Smart and others have a noteworthy presence in the domestic market. Some of the largely used payment service providers in the

Philippines include Palawan Pawnshop, Western Union, Cebuana Lhuillier, LBC Express, M Lhuillier and other regional pawnshops. The choice of the service provider is to a greater degree dependent upon the amount of money being transferred. Bank transfers and major payment service providers are mostly used when transferring large amounts of money.

The total market for domestic remittances was valued at USD 5,840.8 million in 2014 with around 166.3 million transactions. In-country Filipinos characterized by domestic migrants who have moved for better economic and employment opportunities and permanent residents together accounted for approximately 80% of the total domestic remittances. Additionally, approximately 20% of the overall domestic remittances were funded by people/families who have also received international remittances from Filipinos in other countries. Domestic remittances were observed to be transferred from 143 cities inside 78 provinces of the Philippines. The top 10 cities amongst these provinces included Quezon City, Manila, Makati, Caloocan, Paranaque, Pasig, Mandaluyong, Taguig, Pasay and Baguio.

More than 60% of the money remittance transactions originated from Manila and were destined to different cities including progressive areas such as Davao, Bicol, Cebu and others and semi-urban provinces such as Luzon, Visayas, Mindanao, as Metro Manila and Makati City are financial and economical hubs and all of the white collar jobs or high income earning households reside in these areas. Such areas create a large transaction volume, with an average amount of money per transaction to be sent to family members residing in other cities being considerably high as well.

Approximately 8 out of 10 heads of Filipino households do not have any bank accounts, with the majority not having adequate cash accumulated for emergencies. A limited access to banks and the high propensity of people in the Philippines to spend instead to save or invest also act as critical reasons for why the banking scenario in the Philippines is inferior when compared to other nations. The non-bank channel, comprising of money transfer companies and pawnshops operating in the Philippines, accounted for 90.0% of the total number of domestic money remittance transactions in 2014.

Only 10.0% of the total number of domestic remittance transactions was accounted for by the banking channel in 2014. Of this, a significant proportion of the money transfers took place in urban areas. Lack of banking offices in several regions in Philippines has led to the emergence and growth of several other financial service providers (FSPs) such as pawnshops, money changers (MCs), money transfer companies, remittance agents (RAs) and FX dealers. The poor have been significantly served by the pawnshops for their remittance requirements since this cluster constituted the unbanked members of the population.

The demand of branch pick-up remittance services has continued to outperform all of the other remittance services in the country. The total share of branch pick-up services in the total number of Philippines domestic remittance transactions was 93.2% in 2014, inclining from 92.0% in 2012. This incline was in commensuration with the opening up of several new remittance outlets as an outcome of expansion strategies adopted by a number of remittance services providers. Door-to-door delivery of remittances contributed 2.6% to the total number of domestic remittance transactions taking place in the Philippines in 2014. Remittances flowing through this channel showcased a noticeable decline, with their share plummeting from 4.8% in 2012. Even though door-to-door delivery of cash is deemed convenient by Filipinos, the service is often disapproved by users owing to delays in delivery and the overall reliability of the cash delivery at the doorstep. Remittances taking place through pre-paid cards formed the third largest category with a share of 2.6% in 2014 and were followed by online and direct credit to bank account remittances with shares of 1.0% and 0.6% respectively in the same year.

Palawan Pawnshop was the largest remittance player in the Philippines in 2014, accounting for a market share of 24.5% in terms of total number of domestic transactions. LBC Express recorded a market share of 18.5% in terms of number of transactions in 2014 with USD 962.0 million worth of transactions. Cebuana Lhuilier, with a market share of 10.0% was the third leading player in 2014.

Market Share and Transaction Volume of Major Players in the Philippine Domestic Remittance Market in Percentage and USD Million Respectively, 2014

Company	**Market Share(1)**	**Number of Transactions (Million)**	**Average Transaction Size (₱)**	**Transaction Volume (₱ Million)**	**Transaction Volume (USD Million)(2)**	**Number of Remittance Centers**
Major Pawn Shops						
Palawan Pawnshop	24.5%	40.7	1,450	59,078	1,317.4	1,100
Cebuana Lhuillier	10.0%	16.6	1,700	28,271	630.4	1,500
M Lhuillier	5.0%	8.3	1,575	13,096	292.0	1,600
Other Pawnshops	10.05%	16.7	1,240	20,714	461.9	13,222
Major Money Transfer Organizations (MTOs)						
LBC Express	18.5%	30.7	1,405	43,140	962.0	1,210
Western Union	6.4%	10.6	1,900	20,222	451.0	8,600
Pinoy Express	4.5%	7.5	1,600	11,973	267.0	NA
iRemit	3.8%	6.3	1,550	9,795	218.4	2,814
Other MTOs	7.3%	12.1	1,500	18,209	406.1	NA
Banking Channel						
Banks	10.0%	16.6	2,250	37,418	834.4	10,361
Total	**100.0%**	**166.3**	**1,575**	**261,919**	**5,840.8**	**NA**

Source: Industry and Primary Sources, Ken Research

Notes:

(1)Market Share by number of transactions

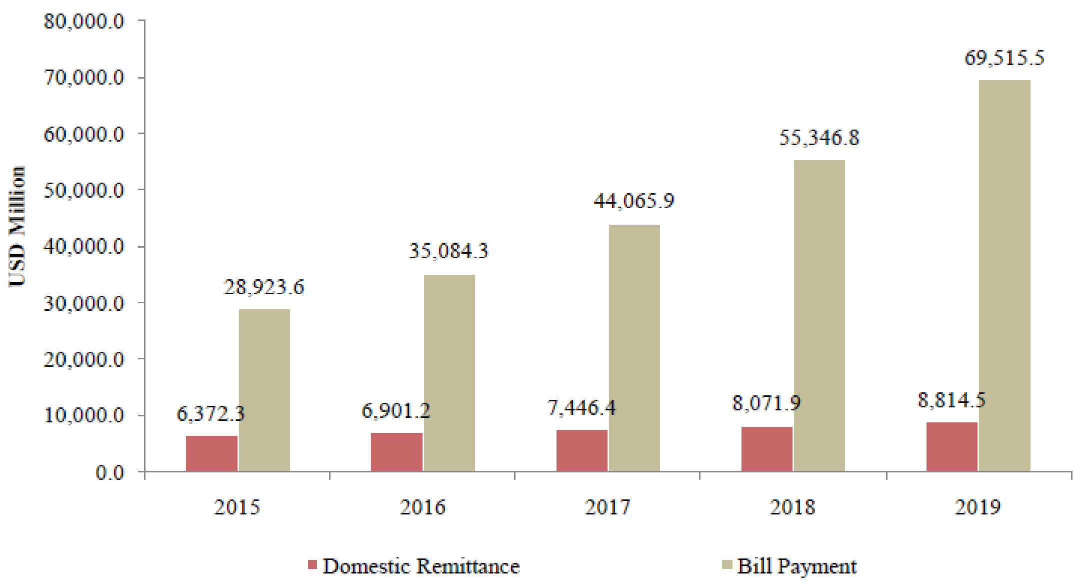
(2) Average Exchange rate of 1 ₱ = 0.0223 USD

Mobile money transfers have been gaining massive traction in the Philippine domestic remittance environment owing to the several benefits accrued by this service. An estimated 7.4% of Filipinos made use of mobile phones to send/receive money, above the percentage of users in East Asia and the Pacific in 2014. Filipinos in low income households are largely using mobile money to send and receive domestic remittance. On an average, during the review period, a Filipino has sent USD 57 and received USD 48 domestically. Competition from Telco-based remittances has enhanced the diversity of services accessible, along with being a significant driver in reducing the fees of remittances for customers.

There have been few barriers to entry in the domestic remittance business in the Philippines. One of the biggest barriers was observed as the requirement of a widespread network for handling cash. Setting up a chain of brick and mortar stores amongst an already huge base of money transfer centers and pawnshops in the Philippines has been a challenge for new players entering in the remittance space. Branding and Central bank's regulations also act as significant barriers in the Philippine remittance market.

The domestic remittance transaction volume in the Philippines is expected to grow at a CAGR of 8.6% from USD 5,840.8 million in 2014 to USD 8,814.5 million in 2019. However, owing to stiff competition resulting from price wars amongst several players, the market is likely to showcase a nominal growth in terms of revenues, as the average transaction charges are expected to decline in the coming years.

The Philippines Domestic Remittance and Bill Payment Future Projections on the Basis of Transaction Volume in USD Million, 2015-2019



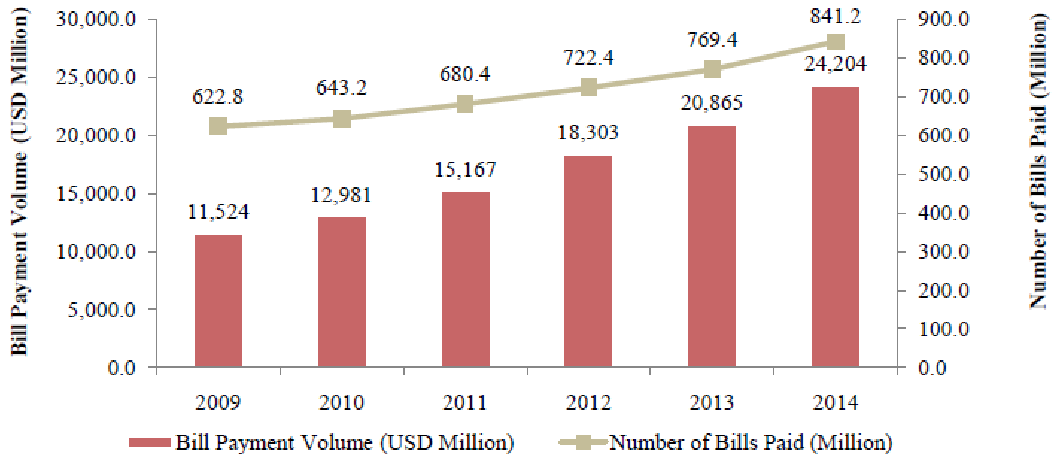
Source: Ken Research

Domestic Bill Payment Market

The bill payment market in the Philippines was estimated at USD 24,203.84 million, in terms of volume of transactions taking place in 2014. Bill payment transaction volume has grown at a CAGR of 16.7% from USD 11,523.6 million in 2009. The total number of bills paid was 622.8 million in 2009 which has grown to 841.2 million in 2014 at a CAGR of 6.2%. A greater proportion of the bill payment has been utilized for the payment of utilities such as water and electricity.

The average bill paid by a Filipino was valued at ₱ 1,290 in 2014. Bill payment transaction volume has grown at a CAGR of 16.0% from USD 11,523.6 million in 2009. The total number of bill payments was 622.8 million in 2007 which has grown to 841.2 million in 2014 at a CAGR of 6.2%. A greater proportion of the bill payment goes into the payment of utilities such as water and electricity. All the Filipino households had access to some source of water supply with the majority of them being covered by the community water system. With a high proportion of Filipinos using the aforementioned services, the bill payment market has continued to showcase a healthy growth trend in the last four years.

Philippines Domestic Bill Payment Market Size on the Basis of Transaction Volume in USD Million and Number of Transactions in Million, 2009-2014

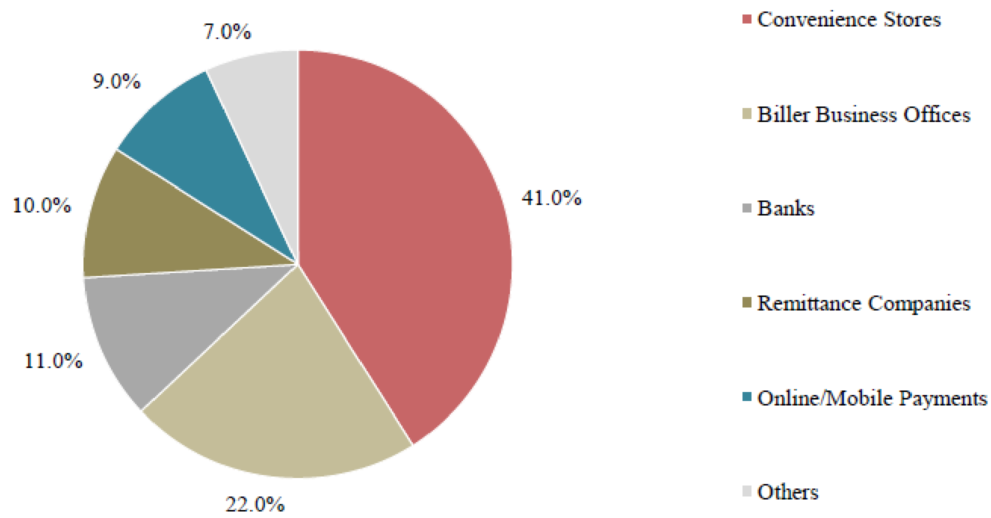


Source: Industry and Primary Sources, Ken Research

Utilities comprised of 70.0% of the total number of bill payments in the Philippines in 2014. Bills paid for electricity services contributed around 80.0% to the total payments of utilities, followed by transactions for water and gas bills. Filipinos paid average bill amounts of 200 pesos and 2,000 pesos as their water and electricity bills, respectively, in 2014. Payments for mobile bills (both pre-paid and post-paid) and pay TV and broadband showcased percentage contributions of 15.0% and 10.0%, respectively. A major chunk of the bill payment transactions occur through the non-bank channel in the Philippines, which accounted for 89.0% of the total number of bills paid in 2014, while bill payments through banks constituted the rest. Banks, which offer bill payment services as a value add to their core services, showcased a share of 11.0% in the total value of bill payment transactions in the Philippines in 2014.

Convenience stores such as 7-Eleven and Ministop were responsible for 41% of the total bill payments in the Philippines in 2014. Owing to the greater reach and accessibility, convenience stores have dominated the bill payment landscape in the Philippines over the past many years. A noteworthy chunk of the population in the country has preferred to pay bills in cash directly at the biller offices with biller business offices registering a share of 22.0% in 2014. Money transfer organizations and remittance companies accounted for an 10.0% share of the total bill payment transactions in the Philippines in 2014. Bill payments through telecommunication companies along with online provision of bill payment services are in their nascent stage. Bill payments made through cellular phones and the internet comprised 9.0% of the total market in the Philippines in 2014. The use of payment centers such as Bayad, along with banks, was mostly prevalent in the urban areas. Conversely, informal service providers were largely used in semi-urban and rural areas.

Market Share of Various Sources of Bill Payments in the Philippines on the Basis of Transactions Volume in Percentage, 2014



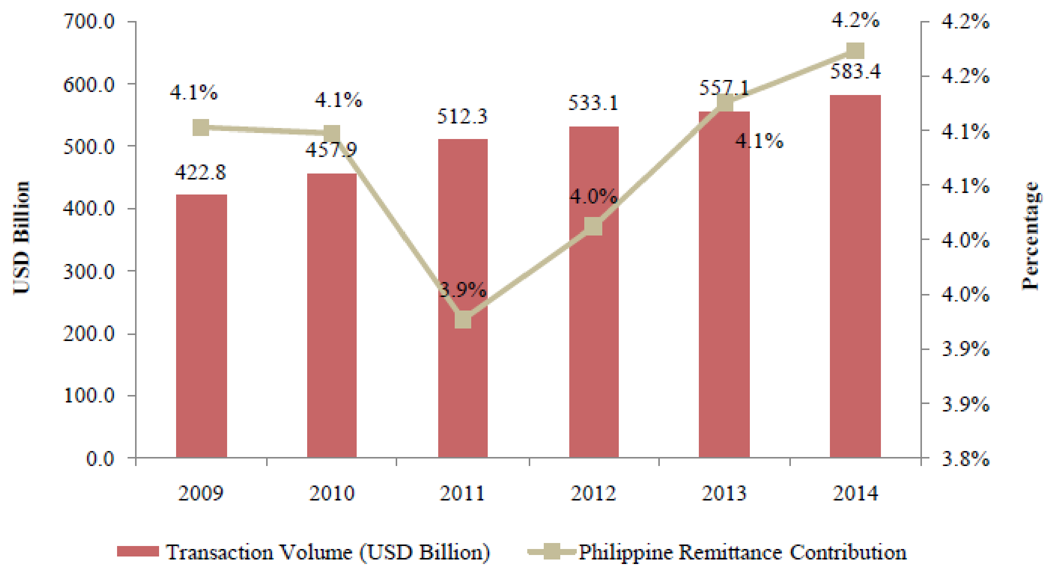
Source: Industry and Primary Sources

International Remittance Market

Approximately 215 million people, constituting around 3% of the global population, reside outside their home countries whereas more than 700 million migrate within their countries for economic, social and political reasons as of 2014. Global remittance flows inclined by around 4.7% to USD 583.4 billion in 2014, increasing from USD 557.1 billion in 2013. In 2014, more than 60 million migrant workers from Asia, which represented one third of the total migrants from other developing countries, sent home more than USD 265 billion in remittances and accounted for approximately 45% of all remittance flows to developing countries.

The Philippines was the third largest remittance market in 2014, with India and China being the top two. The Philippines has been the nation of source of one of the biggest Asian migrant Diasporas, with its economy greatly reliant on billion-dollar remittances from Filipinos residing and working in around 239 countries and territories. Similar to other countries with huge population of migrant workers, remittances have developed into the primary sustenance source for the beneficiaries in the Philippines. Moreover, remittances have also profited the economy of the Philippines in terms of positively affecting the expenditure on basic necessities, education, housing and health-related needs, all of which also generate business activity and employment. Remittances have been recognized for supporting the Philippines' consumer-driven economy, for the growth of the OFW middle class, for the expansion of the service sector and the real estate residential space, and for the enhanced access to educational and health services. The Philippines was the third largest remittance market in 2014, with India and China being the top two. Overseas remittances accounted for more than 8% of the country's GDP in 2014. In the past five years, remittances have continually showcased a healthy compounded annual growth rate of 7%, driven by escalating demand for Filipino workers, particularly in North America, Saudi Arabia, UAE, Qatar, Hong Kong and Kuwait.

Global Remittance Market Size on the Basis of Transaction Volume in USD Billion and the Contribution of the Philippines in Percentage, 2009-2014



Source: World Bank

The Philippine international remittance market registered a total of USD 24,348.1 million in inbound remittances from other countries in 2014 and showcased an annual growth rate of 7.5% from 2013. The total remittances from OFWs accounted for 8.4% of the country's overall economic output in 2014. Stable progress in the diversity and coverage of global remittance networks has enabled more OFWs to remit money at a more reasonable cost of services which include automated teller machines, web-based services, and reusable/reloadable cash cards.

The US accounted for 42.6% of the total remittances sent to the Philippines in 2014. From USD 7,323.7 million in 2009, remittances sent by Filipinos in the US have grown at a CAGR of 7.2%. With a percentage contribution of 10.4% in 2014, Saudi Arabia was ranked as the second largest remittance source for Philippines. Remittance from Saudi Arabia registered a total value of USD 1,470.6 million in 2009 and expanded to USD 2,525.9 million in 2014. Saudi Arabia was recorded as the biggest hirer of Overseas Filipino Workers, with 317,728 Filipinos deployed in the country in 2014.

International remittances showcase strong seasonal patterns, with month on month increases particularly huge in the months of March and December. March is the month for graduations in the Philippines and remittances have showcased significant inclines in this month over the past five years. Remittances also exhibit an increase amid the holiday season especially in December as overseas Filipino workers send more money back home for Christmas festivities, gifts and other holiday related expenses.

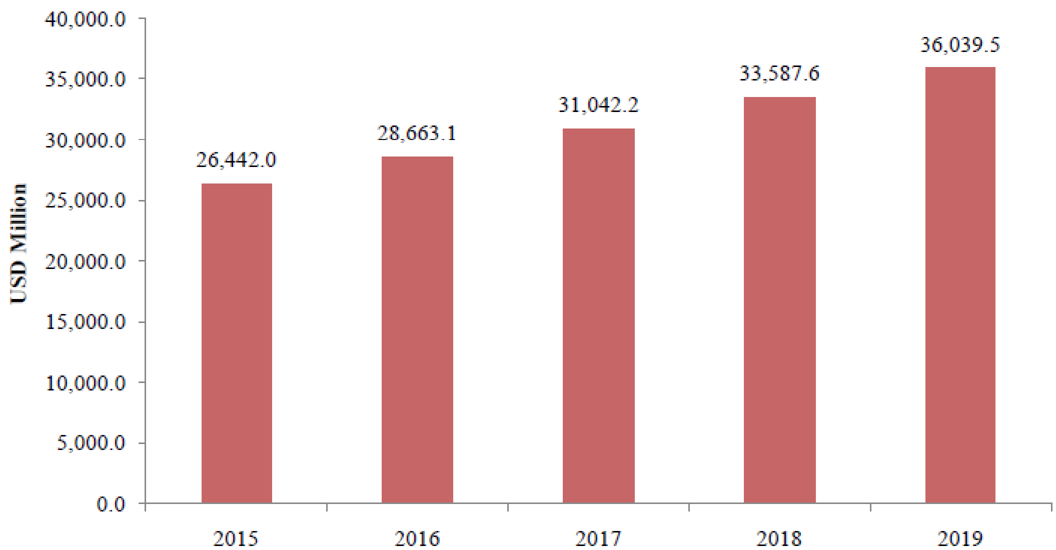
With a market share of 25.0%, Banco de Oro was the largest bank in the Philippines remittance market in 2014. The total volume of international remittances coursed through the bank was USD 6,087.0 million in 2014. Remittance volume coursed through the Bank of Philippine Islands was USD 4,869.6 million in 2014, making it the second biggest player in the Philippines international remittance market with a share of 20.0% in 2014. Philippine National Bank is the third largest international remittance players recording a market share of 12.0% with remittance volume of USD 2,921.8 million. In total, bank recorded 74% of the total remittance volume in 2014.

Western Union accounted for a market share of 8.0% in the Philippines international remittance market in 2014 while iRemit registered a market share of 5.0% to the inbound international remittance transaction volume in 2014. Money Gram remittance volume in the Philippines grew by more than 40% in 2014 and the company expects a double digit growth in the coming few years. The company has significantly expanded its business in the Philippines and accounted for a market share of 5.0% in 2014. Other money transfer company including Xoom, LBC Express and others accounted for the remaining market share of 12% in 2014.

OFW remittances were valued at USD 24,348.1 million in the year 2014 and the value is expected to soar even further in the next five years. The Philippines international remittance market is expected to grow at a CAGR of 8.2%, from USD 24,348.1 million in 2014 to USD 36,039.5 million in 2019.

Due to the damage caused to residential, commercial and agricultural properties caused by the natural disasters in the country, the remittances to the Philippines are expected to showcase a significant incline towards the end of 2019 with an increased disposable income to support families in the homeland. Historically, natural calamities have highlighted the Philippines' reliance on remittances to fund domestic consumption, with the affected families resorting to their relatives working abroad for help. This trend is likely to continue in the future as well. Additionally, owing to the current employment scenario and the failure of the Philippine government in creating more jobs at home, Filipinos will continue to travel abroad for better employment opportunities which will in turn drive financial transfers across international borders of the country.

Philippine International Remittance Market Future Projections on the Basis of Value of Transactions in USD Million, 2015-2019



Source: Ken Research

REGULATORY

REGULATION OF FREIGHT FORWARDING IN THE PHILIPPINES

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, as amended by Executive Order No. 217, and as further amended by Presidential Decree No. 1462, otherwise known as the "Civil Aeronautics Act of the Philippines", the Civil Aeronautics Board ("CAB") was given, among others, (1) the power to regulate the economic aspect of air transportation; and (2) general supervision and regulation of, and the jurisdiction and control over, air carriers, general sales agents, cargo sales agents, and airfreight forwarders including their property, property rights, equipment, facilities, and franchise.

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 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.

Pursuant to the power and authority granted to the CAB under RA 776, the CAB issued Economic Regulation No. 4 otherwise known as the "Economic Regulation on Air Freight Forwarder and Off-line Carriers" ("ER-4"). Such regulation (as amended and updated) states that air freight forwarders shall, at all times, provide safe service, equipment and facilities in connection with air freight transportation, and shall establish, observe and enforce just and reasonable individual rates, fares and charges, and just and reasonable classifications, rules, regulations and practices relating to air freight transportation. In addition, air freight forwarders shall, upon request, give its customers or users, all information and assistance that they will need pertaining to its service. It shall be unlawful for any air freight forwarder to give undue preference or make unjust discrimination in his/her service to its customers. Air freight forwarders shall immediately conduct an investigation of all complaints referred to them involving their services and shall furnish the CAB a full report of such investigation. The CAB, through its officials, inspectors or agents, may, at any time conduct an inspection and investigation of the operation of any air freight forwarder or an examination or test of any equipment operated for public service. The refusal, obstruction or hindrance by the air freight forwarder or any of its employees to the investigation or inspection of its service or examination or test of any of its equipment, shall constitute a violation of ER-4 and shall be considered sufficient cause for the cancellation of its certificate of authority.

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.

ER-4 mandates that an air freight forwarder shall secure prior approval of the CAB before adopting a commercial or business name. Also, it provides that an air freight forwarder shall not cause, allow or in any other manner, help or consent to the registration in its name any equipment belonging to another and/or cause, allow or in any manner help or consent to the use of such equipment, under its certificate or letter of authority from the CAB. Each air freight forwarder shall follow strictly the schedule of rates prescribed by the Board and shall not change, alter, or in manner modify the same without previous authority of the CAB.

An air freight forwarder shall only engage in the performance of transfer, collection or delivery services if it has on file with the CAB a satisfactory certificate of insurance evidencing a properly endorsed policy of insurance, qualifications as a self-insurer (a self-insurance fund or other qualifications approved by the CAB), or surety bond, conditioned to pay within the amount of such insurance coverage any final judgment recovered against it on account of bodily injuries to or death of any person, of loss of or damage to property (other than property covered by the preceding paragraph) resulting from the negligent operation, maintenance or use of motor vehicle operated, by, or under, its direction and control.

Air freight forwarders are required to keep a record, in chronological order, of all accidents that may occur in connection with its operations. A detailed report of all accidents shall be submitted to the CAB within 30 days from date of occurrence. In addition, air freight forwarders are required to keep such accounts, books, and other records as are necessary to afford an intelligent understanding of its business, and such other records as may be required by the CAB. Lastly, air freight forwarders are required to file with the CAB on or before the first of March ever year or at such time as may otherwise be specified in each case, a detailed report of its finances and operations from the previous year.

With respect to operations conducted pursuant to the authority granted it, no air freight forwarder shall ship property by air except if operated in common carriage by air carriers whose tariffs for the transportation services thus utilized have been approved by the CAB. Air freight forwarders shall not directly engage in the operation of aircraft in air transportation; *provided*, however, that this limitation shall not be construed to prohibit charters of aircraft by an air freight forwarder from a direct air carrier operating charter trips and special services under the authority conferred by an applicable regulation or order of the CAB.

The authority granted to air freight forwarders by the CAB shall be subject to immediate suspension when, in the opinion of the CAB such action is required in the public interest. Suspensions may be imposed by the CAB, upon complaint, or upon motion of any person showing an interest therein, or upon the CAB’s own initiative, and after notice and hearing, for failure of an air freight forwarder to comply with the ER-4 or with any order, rules or regulations issued thereunder, or with any term, condition or limitation of the authority granted. Moreover, the authority granted to air freight forwarders shall be subject to revocation, after notice and hearing, for willful violation of any provisions of ER-4 or of any order, rules and regulations issued thereunder, or of any term, term, condition or limitation of the authority granted pursuant to RA 776 or ER-4. Such authority granted by the CAB to air freight forwarders shall be revoked without prejudice upon the filing by an airfreight forwarder of a written notice with the CAB indicating the discontinuance of air freight forwarding activities, together with the tender of the letter of authority of any proceeding or action is pending in which an air freight forwarder’s authority may be subject to suspension or revocation action. The failure of any air freight forwarder, for two successive periods, to file the periodic reports required, may be deemed by the CAB to constitute as the filing of such written notice indicating the discontinuance of the common carrier activities, and in such case the tender of the letter of authority shall not be necessary.

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"). EO 514 gives the PSB the following powers and functions:

(1) Promote and protect the common interests of Philippine exporters, importers and other commercial users of water transport; and maintain and foster close cooperation and mutual assistance among them;

(2) Conduct continuing consultations and negotiations with shipping companies, associations of shipping interest, government authorities and other institutions and persons, whether foreign or domestic, for the shipment of goods on time at reasonable rates and acceptable shipping terms and conditions;

(3) Mediate and/or arbitrate disputes between members of associations of shipping interests and between the said members and non-members;

(4) Serve as the clearing house of information on shipping service and other related matters;

(5) Recommend appropriate measures to promote and develop Philippine trade and commerce through the economical and efficient carriage of merchandise;

(6) Maintain and develop harmonious relationships and enter into mutually-beneficial arrangements with domestic and international shippers' associations or councils;

(7) Participate in conferences and present the government position concerning shipping policies and the promotion of export and import trade; and negotiate for reasonable freight rates at international shipping conferences and non-conference lines and trampers;

(8) Register and accredit non-vessel operating common carriers, freight forwarders, cargo consolidators and break-bulk agents in accordance with existing agreements and charge reasonable fees therefor;

(9) Implement the provisions of Presidential Decrees Nos. 917 and 1466 and their implementing rules and regulations governing freight booking and cargo consolidation; and seaborne transport, respectively; and

(10) Perform such other functions as may hereinafter be provided by law.

Pursuant to such power and authority, on November 23, 2005, the PSB issued PSB Administrative Order No. 06, series of 2005, otherwise known as the "Revised Rules on Freight Forwarding" (the "PSB Rules"). The rules provide that the PSB shall have visitorial power over accredited firms in order to effectively enforce and check compliance with the law, rules and regulation. In addition, the PSB may, to the extent necessary and as far as the PSB resources allow, conduct the following functions:

(1) To conduct studies on the sea freight forwarding industry to determine or verify the state of the Industry; its resources, problems, and prospects; number of people dependent on it for livelihood; extent of foreign participation in the capital and management; governmental assistance needed; the practices, acts, methods, schemes, arrangements, and modus operandi used in the Industry; and the Industry's desires and recommendations; and recommend to DTI the taking of promotional//developmental/remedial/ facilitation measures for the Industry;

(2) To prepare the draft policies, measures, Memoranda of Agreement, letters, Administrative Orders, Executive Orders, and Congressional Bills which may be necessary to effectuate its recommendations mentioned in the preceding paragraph, or which may be needed by PSB to carry out the objectives of the PSB Rules;

(3) To prescribe and promulgate Circulars and Orders;

(4) To enforce and monitor compliance with this Administrative Order, and the Circulars and other Orders issued by PSB; and

(5) To enforce the prescribed Code of Conduct and Ethical Standards for Freight Forwarders for the covered firms.

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.

Accredited IFF and DFF firms must submit to the PSB photocopies of all inward and outward manifests covering consolidated shipments, when required by the PSB in protecting the interest of shippers and consignees. Every change in the board of directors of accredited IFF and DFF firms shall be reported in writing to the PSB within 15 days from the date when the change occurred, or was decided or approved. The resignation, termination of services, or appointment of the accredited IFF and DFF firm's operations manager or chief operating officer or equivalent or branch manager shall be reported in writing to the PSB within 15 days from the date of such resignation, termination or appointment. In addition, every change of officers/agents/key personnel abroad must be reported in writing to the PSB within 30 days from the date the resignation/termination/appointment was made. Further, accredited IFF and DFF firms are required to comply with the following:

(1) To renew, without delay, its cargo insurance coverage within 30 days from receipt of the renewal policy;

(2) To submit to the PSB a quarterly cargo statistics report within 30 days after the lapse of the quarter covered by the report;

(3) To submit to the PSB annual financial statements within 30 days after the required filing date set by the BIR for corporate/individual tax returns;

(4) To submit to the PSB a copy of the Amended Articles of Incorporation (if any) within 30 days from the date the firm received from SEC the said document; and

(5) To report in writing to PSB the change of address of the Office or warehouse of the firm (if any), within 5 days from the date the change was made.

In connection with the activities, duties, and obligations of accredited IFF and DFF firms, the following acts and omission are considered unlawful under the PSB Rules:

(1) Engaging in or transacting business by a firm, operating either as a main, sole, or branch office, without prior accreditation;

(2) Misrepresentation by a firm that it has a subsisting accreditation;

(3) Using a subsisting accreditation by another with authority from an accredited firm;

(4) Failure to display the valid and original copy of Certificate of Accreditation;

(5) Transacting business through an accredited firm's representative without the required PSB I.D.;

(6) Refusal/Failure to comply with any of the obligations mentioned in the PSB Rules, or the submission under said Rule of report/s, document/s or paper/s which are false, or which contain false/misleading data;

(7) Misrepresentation by the applicant, of any material fact in obtaining the accreditation, or any other certification/s or documents;

(8) Transferring or authorizing of an accredited firm to another, in whatever manner, its accreditation;

(9) Refusal or failure of an accredited firm to comply with lawful orders/administrative issuances and/or circulars of PSB;

(10) Violation by covered firm of the Code of Conduct and Ethical Standards for Freight Forwarders;

(11) Overcharging;

(12) Collecting and charging of fees not prescribed by PSB;

(13) Failure to deliver cargo as required in the transport document;

(14) Failure to deliver cargo to its rightful owner;

(15) Failure to comply with its contractual obligation to the shipper;

(16) Grant of Rebates;

(17) Delinquent freight forwarders;

(18) Refusal, prevention, obstruction, delay, harassment of the exercise of the PSB of its visitorial powers;

(19) Refusal or failure to comply with the subpoena or subpoena duces tecum issued by a PSB official or the refusal to be sworn to prior to giving of testimony, answer of pertinent questions or giving of false testimony or producing records or documents that are false or which contains false / misleading data on a material respect; and

(20) Refusal of failure to submit on time, the required report, data, paper or the like or to submit a data, report, paper or the like which is false/incomplete/blurred, or which contains false, misleading data on any material respect.

In enforcing its rules and imposing the violations stated above, the PSB may conduct mediation proceedings and may exercise its contempt powers, power to administer oaths and affirmations and issue subpoena and subpoena duces tecum. The PSB Rules provide the sanctions and penalties for the above stated violations.

International Air Freight Forwarding

Section 8, Article XII of the Philippine Constitution limits foreign equity participation in entities operating public utilities to forty percent (40%) of the company's outstanding capital stock.

With respect to the air freight forwarding business, this nationality requirement has been construed by the Department of Justice to apply only to entities engaged in domestic air commerce and/or air transportation, and not to international airfreight forwarders (Department of Justice Opinion No, 012, Series of 2011, 23 February 2011 in relation to Section 12 of RA 776).

However, in *Merit Freight International v. Federal Express Pacific, Inc.* (CA-G.R. SP No. 119658, 23 January 2013) and *Ace Logistics v. Federal Express Pacific Inc.* (CA-G.R. SP. No. 121661, 23 January 2013), which involved a complaint against the grant of a provisional and regular permit to Federal Express to operate as an international airfreight forwarder, the Court of Appeals ruled that Federal Express is disqualified from operating as such, being in violation of the nationality requirement under the 1987 Constitution.

The Court of Appeals noted the existence of the DOJ Opinion ruling that the nationality requirement does not cover international airfreight forwarders. However, the Court of Appeals stated that although the DOJ Opinion is persuasive, it is not binding upon the courts. Contrary to the DOJ Opinion, the Court of Appeals ruled that as a public utility, an international airfreight forwarder is subject to the nationality restrictions embodied in the Constitution.

Freight Forwarder's Liability as a Common Carrier

In *Unsworth Transport International (Phils.), Inc. v. Court of Appeals* (G.R. No. 166250, 26 July 2010), the Supreme Court ruled that a freight forwarder is a firm that holds itself out to the public (other than as a pipeline, rail, motor, or water carrier) to provide transportation of property for compensation and, in the ordinary course of business, (1) to assemble and consolidate, or to provide for assembling and consolidating, shipments, and to perform or provide for break-bulk and distribution operations of the shipments; (2) to assume responsibility for the transportation of goods from the place of receipt to the place of destination; and (3) to use for any part of the transportation a carrier subject to the federal law pertaining to common carriers. Ordinarily, the service of a freight forwarder includes the assumption of responsibility for the transportation of property from the place of receipt to the place of destination. As such, a freight forwarder's liability is generally limited to the damages arising from its own negligence, which includes negligence in choosing the carrier. However, where the freight forwarder does not simply arrange for the transportation of goods but also contracts for the delivery of the goods to their destination, the freight forwarder assumes the responsibility of a common carrier for loss or damage to the goods, even if the freight forwarder does not carry the goods itself.

The treatment of a freight forwarder as a common carrier increases the standard of diligence required and the concomitant potential liability for damages. Common carriers are saddled with the exercise of extraordinary diligence in transporting goods. Where damage or loss occurs, the common carrier is presumed to have been at fault or negligent, unless they are able to prove that they exercised the requisite extraordinary diligence.

REGULATION OF PRIVATE EXPRESS AND MESSENGERIAL DELIVERY SERVICES IN THE PHILIPPINES

DOTC Regulations

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) an 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 DOTC Rules further provide that each firm duly authorized to engage in the business of private express and/or messengerial delivery services in the Philippines must secure a Messenger's Work License, for every person employed as a messenger of such firm, from the DOTC. The Messenger's Work License shall be valid for two years and may be renewed for the same period, after the messenger concerned is ascertained to have no derogatory record. The Messenger's Work License may be cancelled/revoked, if after due notice and hearing, the messenger concerned is found guilty of grave misconduct or dishonesty in the performance of his or her assigned work.

In 2001, the DOTC also issued Administrative Order No. 2001-01 known as the "Guidelines in the Uniform Application of Penalties for Offenses Committed by Private Express and/or Messengerial Delivery Service Firms of Their Employees" (the "DOTC Guidelines"). The DOTC Guidelines classify punishable acts as grave, less grave and light offenses. Erring firms and/or their employees may be subject to a fine, suspension, cancellation/revocation of authority and/or criminal prosecution and perpetual disqualification of officials and employees to work in messengerial services. Under the DOTC Guidelines, the following are the punishable acts:

A. Grave offenses: (1) Gross neglect of duty resulting in the damage or pecuniary loss to the mailing public; (2) Mail pilferage or infidelity in the custody of mails due to the fault, negligence or indifference of operators or their authorized officials or employees; (3) Knowingly, willfully, or intentionally accepting the delivery of subversive, obscene or indecent magazines, publications or materials, prohibited drugs and all matters which are absolutely non-mailable under the Philippine Postal Law, rules and regulations; (4) Fraud or deceit in securing authority to operate express and/or messengerial delivery service for extension or renewal thereof; (5) Transfer of rights in or interests over the authority to operate express and/or messengerial delivery service without prior approval of the Secretary of the DOTC; (6) Allowing other persons or entities to operate under one's authority to operate express and/or messengerial delivery service, under a contract of agency, on commission basis or other arrangements, without prior approval of the DOTC Secretary; (7) Accepting and delivering mail matters without an "Authority to Operate a Private Express and/or Messengerial Delivery Service" issued by the Secretary of the DOTC; (8) Operating with revoked, suspended or expired authority, unless in the case of the latter, a petition for extension has been properly and reasonably filed with the Secretary of the DOTC before said expiration; (9) Opening/operating branch/branches in unauthorized places or accepting and delivering mails at places where the firm is not duly authorized to operate; (10) Accepting foreign or local mails and using the postal facilities for remailing activities; (11) Preventing duly authorized officials of this department from inspecting the mails, office premises, equipment and facilities, or concealing specific records of transactions and operations from such officials without justifiable reason; (12) Engaging in ruinous or unfair competition with other firms similarly engaged in private express and/or messengerial delivery service; (13) Willful violation of the provisions of Republic Act No. 7354 and its implementing rules and regulations, administrative orders, circulars, memoranda, and other similar issuances/decrees; (14) Intentional delay in the delivery of mails unless for a just cause; (15) Knowingly engaging the services of the Letter Carrier of the Philippine Postal Corporation who are still in the service; and/or messengers of other authorized operator; (16) Recidivism; (17) Knowingly submitting a surety bond contracted with a bonding company not authorized by the Philippine Insurance Commission to operate during the period covered; and (18) Accepting the employment of messengers without the Messenger's Work License as required under Section 9 of Department Circular No. 2001-01.

B. Less grave offenses: (1) Opening branch/branches at authorized places without notifying the Secretary of the DOTC within 10 days prior to actual operations; (2) Allowing messengers to deliver mails without suitable containers where mails are kept to prevent them from being damaged or lost in transit; (3) Delivering mails without the office logo, or the amount charged, or date of posting/date of receipt indicated on their covers; (4) Refusal to pay upon demand fines imposed by the DOTC Secretary, as provided for in these guidelines; (5) Accepting bulk-mails for delivery or entering into a delivery contract whereby mails are charged by bulk not by piece; (6) Submission of untruthful quarterly report.

C. Light offenses: (1) Operating without posting the required surety bond or failure to renew said surety bond on or before its expiration; (2) Failure to return "Return To Sender" (RTS) mails by the office of delivery to the office of posting within 15 days; (3) Failure to return "Return To Sender" (RTS) mails to the sender within 15 days from receipt at the office of posting; (4) Allowing messengers to deliver mails/parcels without wearing the proper ID; and (5) Failure to submit Quarterly Production Reports within 30 days after the end of the quarter and Semi-Annual Management Report including a list of company's employees, furniture and fixtures and equipment within 30 days after the close of the corresponding semester.

The Secretary of the DOTC shall also exercise the following powers, if, in his/her sound judgment, postal laws have been or are being or about to be violated:

(1) To conduct searches of any vehicle, vessel or aircraft for stolen mail matter or any mail matter being transported in violation of law, whenever there is reasonable ground to believe that such prohibited mail matter is contained therein;

(2) To issue search warrants under the same conditions prescribed for judicial officers, authorizing the search of any place not used as a dwelling, for any stolen mail matters;

(3) To order and cause the arrest of persons and seizure of mail matters and other property for violation of any postal law; and

(4) To offer and pay rewards for information and services in connection with violations of the postal law.

ICTO (formerly CICT) Regulation

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

BSP Registration

Under Bangko Sentral ng Pilipinas ("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.

Foreign exchange dealers or money changers refer to those regularly engaged in the business of buying and/or selling foreign currencies. On the other hand, remittance agents refer to persons or entities that offer to remit, transfer or transmit money on behalf of any person to another person and/or entity. These include money or cash counters, money transmission agents, remittance companies and the like.

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.

Under BSP Circular No. 534-06, foreign exchange dealers/money changers and remittance agents, providing overseas remittance services are required to disclose certain information to the remittance sender and to the recipient/beneficiary, including transfer/remittance fees, exchange rates, exchange rate differential/spread, other currency conversions charges, other related charges, amount/currency paid out in the recipient country, and the delivery time to recipients/beneficiaries. The same information must be posted in the website of non-bank remittance service providers, as well as displayed prominently in conspicuous places within their premises and/or remittance/service centers.

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*.

Anti-Money Laundering Act (Republic Act No. 9160)

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* ("AMLA"), proscribes any act where the proceeds of an unlawful activity are transacted, making such proceeds appear to have originated from legitimate sources. Under the AMLA, money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

(a) Transacts said monetary instrument or property;

(b) Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;

(c) Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;

(d) Attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c). The penalties for acts committed under paragraphs (a), (b) or (c) are imprisonment ranging from 7 to 14 years and a fine of not less than ₱3,000,000 but not more than twice the value of the monetary instrument or property involved in the offense;

(e) Aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and

(f) Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above. The penalties for acts committed under paragraphs (e) and (f) are imprisonment from 4 to 7 years and a fine of not less than P 1,500,000.00 but not more than ₱3,000,000.00.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council ("AMLC"), fails to do so. The penalty for this act is imprisonment from 6 months to 4 years or a fine of not less than ₱100,000.00 but not more than ₱500,000.00), or both.

Under the AMLA, a "covered person", whether natural or juridical, refers to: (1) banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities and all other persons and their subsidiaries and affiliates supervised or regulated by the

BSP; (2) insurance companies, pre-need companies and all other persons supervised or regulated by the Insurance Commission ("IC"); (3) (i) securities dealers, brokers, salesmen, investment houses and other similar persons managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, close-end investment companies, common trust funds, and other similar persons, and (iii) other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property supervised or regulated by the SEC; (4) jewelry dealers in precious metals, who, as a business, trade in precious metals, for transactions in excess of One million pesos (₱1,000,000.00); (5) jewelry dealers in precious stones, who, as a business, trade in precious stones, for transactions in excess of One million pesos (₱1,000,000.00); (6)company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and (7) persons who provide any of the following services: (i) managing of client money, securities or other assets; (ii) management of bank, savings or securities accounts; (iii) organization of contributions for the creation, operation or management of companies; and (iv) creation, operation or management of juridical persons or arrangements, and buying and selling business entities. The types of transactions to which the AMLA applies are divided into two groups: (a) covered transactions, which pertains to all transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000 within one banking day; and (b) suspicious transactions, regardless of the amount involved, where any of the following circumstances exist:

(1) There is no underlying legal or trade obligation, purpose or economic justification;

(2) The client is not properly identified;

(3) The amount involved is not commensurate with the business or financial capacity of the client;

(4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Anti-Money Laundering Act;

(5) Any circumstances relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered institutions;

(6) The transaction is in any way related to an unlawful activity or any money laundering activity or offense under the Anti-Money Laundering Act that is about to be, is being or has been committed; or

(7) Any transaction that is similar, analogous or identical to any of the foregoing.

Covered persons are obliged to establish and identify the true identity of its customers, develop risk-based customer identification processes, conduct enhanced due diligence for customers assessed as high risk for money laundering and terrorist financing, as well as report all covered and suspicious transactions to the AMLC within five working days from occurrence thereof, unless the supervising authority concerned prescribes a longer period, which period shall not exceed 10 working days.

The BSP requires all registered remittance agents to maintain accurate and meaningful originator information on funds transferred/remitted by requiring the sender/remitter to fill up and sign an application form, which shall contain minimum data and information, such as, but not limited to, the printed name and signature of remitter, permanent address, nationality, amount and currency to be remitted and source of foreign currency for individuals. For corporate/juridical customers, in addition to a signed application containing the information on such corporation or entity, a photocopy of the authority and identification of the person purporting to act in behalf of such customer shall be required.

Covered persons are also obliged to require their customers which are foreign exchange dealers, money changers and remittance agents, to submit a copy of the certificate of registration issued to them by the BSP as part of their customer identification requirement. Such customers shall be subject to enhanced due diligence in accordance with the AMLA.

Covered persons are also subject to record keeping requirements – all records of all transactions of such covered persons must be maintained and safely stored for five (5) years from the dates of the transactions. Further, all covered persons are required to formulate and implement their Anti-Money Laundering/Combating the Financing of Terrorism Programs in accordance with the AMLA.

Covered persons are likewise required to register with the AMLC for a username, password and institution code assignment in accordance with Section X807.4 of BSP Circular No. 706 dated 5 January 2011.

ENVIRONMENTAL

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers and management team cooperate with its Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's articles of incorporation as amended on October 12, 2015, the Board consists of nine members. As of the date of this Prospectus, two members of the Board were independent directors. The incumbent directors were duly elected during the Company's annual shareholders' meeting on July 29, 2016 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of the date of this Prospectus.

Name	Age	Nationality	Position
Miguel Angel A. Camahort.	54	Filipino	Chairman of the Board
Enrique V. Rey Jr.	46	Filipino	Director
Rene E. Fuentes..................	42	Filipino	Director
Mark Werner J. Rosal.........	40	Filipino	Director
Augusto Gan	52	Filipino	Director
Luis N. Yu, Jr.	61	Filipino	Independent Director
Solita V. Delantar...............	73	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 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, Jr. attended De La Salle University and completed a Management program at the Ateneo Business School. Mr. Rey, Jr. has also received training in Finance. Since 2010, Mr. Rey, Jr. has been a member of the Institute of Internal Auditors.

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 Agaru 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.

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 table below sets forth each member of the Company's senior management as of the date of this Prospectus.

Name	Age	Nationality	Position
Miguel Angel A. Camahort.	54	Filipino	Chief Executive Officer and President
Enrique V. Rey Jr.	46	Filipino	Investor Relations Officer, Acting Treasurer, Acting Chief Finance Officer
Cristina S. Palma Gil-Fernandez.	48	Filipino	Corporate Secretary
Mahleene G. Go.................	36	Filipino	Assistant Corporate Secretary, Corporate Information Officer and Compliance Officer
Ma. Eloisa Imelda S. Singzon	29	Filipino	Alternate Corporate Information Officer

The business experience of each of the Company's senior management is set forth below.

Miguel Angel A. Camahort

President

Please refer to the table of Directors above.

Enrique V. Rey Jr.

Investor Relations Officer, Acting Treasurer and Acting Chief Finance Officer

Please refer to the table of Directors above.

Cristina S. Palma-Gil Fernandez

Corporate Secretary

Cristina Palma-Gil Fernandez: 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 19 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.

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 Senior Associate at the same office. She currently serves as Trustee and Corporate Secretary for Center for Empowerment and Resource and Development, Inc.

Maria Eloisa Imelda S. Singzon

Alternate Corporate Information Officer

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

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

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 Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

CORPORATE GOVERNANCE

Compliance with SEC Memorandum Circular No. 2 Series 2002, Code of Corporate Governance, dated 5 April 2002 as well as relevant circulars on Corporate Governance had been monitored. The Company's Manual on Corporate Governance (the "Manual") was revised and amended on 9 June 2014 pursuant to SEC Memorandum Circular No. 9 Series of 2014, Revised Code of Corporate Governance. The Company is in the process of further amending its Manual to comply with SEC Memorandum Circular No. 19, Series of 2016, issued by the SEC on November 22, 2016.

As of 30 September 2016, the Company remains substantially in compliance with and has no material deviation from its Manual and no sanctions were imposed on any director, officer or employee on account of non-compliance with the same.

The Manual assists the Company in monitoring and assessing its level of compliance with leading practices on good corporate governance as specified in pertinent SEC circulars. Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the Manual also outlines specific investor's rights and protections and enumerates particular duties expected from the Board members, officers and employees. It also features a disclosure system which highlights adherence to the principles of transparency, accountability and fairness. The Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Board members and members of the Committees. There has been no deviation from the Manual's standards as of the date of this Prospectus.

COMMITTEES OF THE BOARD

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Company's Audit Committee is responsible for assisting its Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Audit Committee must comprise at least three members of the Board, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Audit Committee reports to the Board and is expected to meet at least quarterly. The Audit Committee chairman shall be an independent director.

The Audit Committee has the following functions:

(i) Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;

(ii) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company; this function shall include regular receipt from Management of information on risk exposures and risk management activities;

(iii) Perform oversight functions over the Company's internal and 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;

(iv) Review the annual internal audit plan to ensure its conformity with the objectives of the Company; the plan shall include the audit scope, resources and budget necessary to implement it;

(v) 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;

(vi) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

(vii) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;

(viii) Review the reports submitted by the internal and external auditors;

(ix) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:

- Any change/s in accounting policies and practices;
- Major judgmental areas;
- Significant adjustments resulting from the audit;
- Going concern assumptions;
- Compliance with accounting standards; and
- Compliance with tax, legal and regulatory requirements.

(x) Coordinate, monitor and facilitate compliance with laws, rules and regulations;

(xi) 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; and

(xii) Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities; the Internal Auditor shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he/she shall be free from interference by outside parties.

As of the date of this Prospectus, Solita Delantar serves as the Chairwoman of the Audit Committee and Enrique V. Rey, Jr. and Miguel Angel A. Camahort serve as members of the Audit Committee.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee comprises at least three members, one of whom should be an independent director. The Compensation and Remuneration Committee shall have the following duties and responsibilities:

(i) Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

(ii) Designate amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the company successfully.

(iii) Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of individual directors, if any, and officers.

(iv) Develop a form on full business interest disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

(v) Disallow any director to decide his or her own remuneration.

(vi) Provide in the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

(vii) Review (if any) of the existing human resources development or personnel handbook, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

(viii) Or in the absence of such Personnel Handbook, cause the development of such, covering the same parameters of governance stated above.

As of the date of this Prospectus, Solita V. Delantar serves as the Chairwoman of the Compensation and Remuneration Committee and Miguel Angel A. Camahort and Enrique V. Rey, Jr. serve as members of the Compensation and Remuneration Committee.

Nomination Committee

The Company's Nomination Committee is responsible for providing its shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness. The Nomination Committee must comprise at least three voting members, one of whom should be an Independent Director. The Nomination Committee shall have the following duties and responsibilities:

(i) Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval in accordance with the qualifications and disqualifications provided under this Manual, the Corporation Code, Securities Regulation Code and other relevant laws;

(ii) Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors;

(iii) In consultation with the executive or management committee/s, re-define the role, duties and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

As of the date of this Prospectus Solita V. Delantar serves as the Chairwoman of the Nomination Committee and Enrique V. Rey, Jr. and Miguel Angel A. Camahort serve as members of the Nomination Committee.

EVALUATION SYSTEM AND COMPLIANCE

As part of its system for monitoring and assessing compliance with the Manual and the SEC Code of Corporate Governance, each committee is required to report regularly to the Board of Directors and the Manual is subject to quarterly review. The Compliance Officer, Atty. Christine Base as of the date of this Prospectus, is responsible for determining and measuring compliance with the Manual and the SEC Code of Corporate Governance. Any violation of the Company's Corporate Governance Manual shall subject the responsible officer or employee to the following penalties:

- For a first violation, the offender shall be reprimanded.

- For a second violation, suspension from office shall be imposed on the offender. The duration of suspension shall depend on the gravity of the violation. This penalty shall not apply to the members of the Board of Directors.

- For a third violation, the maximum penalty of removal from office shall be imposed on the offender. The commission of a third violation by any member of the board or the Company or its subsidiaries and affiliates shall be sufficient cause for removal from directorship. In case the offender is a member of the Board of Directors, the provisions of Section 28 of the Corporation Code shall be observed.

EXECUTIVE COMPENSATION SUMMARY

Compensation

The Company's president and its next highest ranking officer are as follows:

Name	Position
Miguel Angel A. Camahort	President
Enrique V. Rey, Jr.	Investor Relations Officer, Acting Treasurer, Acting Chief Finance Officer

The following table identifies and summarizes the aggregate compensation of the Company's President and the four most highly compensated executive officers of the Company in fiscal years 2013, 2014 and 2015:

	Year	Salary	Bonus	Others	Total[(1)] (₱)
President and the four most highly compensated executive officers named above	2013	n/a	n/a	n/a	n/a
	2014	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a
	2016 (est.)	n/a	n/a	n/a	n/a
Aggregate compensation paid	2013	n/a	n/a	n/a	n/a

	Year	Salary	Bonus	Others	Total[1] (₱)
to all other officers as a group unnamed....................................					
	2014	n/a	n/a	n/a	n/a
	2015	n/a	n/a	n/a	n/a
	2016 (est.)	n/a	n/a	n/a	n/a

Note:

(1) Includes salary, bonuses and other income.

Neither the President nor any of the officers of the Company receive any compensation from the Company.

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board 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 2013 for any service provided as a director.

SIGNIFICANT EMPLOYEES

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

FAMILY RELATIONSHIPS

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

EMPLOYMENT CONTRACTS

As of the date of this Prospectus, the Company has no special employment contracts with the named executive officers.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants or options held by the President, the Chief Executive Officer, the named executive officers, and all officers and Directors as a group.

PRINCIPAL AND SELLING SHAREHOLDER

The following table sets forth the top 20 registered holders of the Company's shares as of the end of December 2016.

Shareholder	Number of Shares Subscribed	Amount Subscribed and Paid-up (in ₱)	% of Ownership
LBC Development Corporation	1,205,974,632	1,205,974,632.00	84.58%
Vittorio P. Lim	59,663,947	59,663,947.00	4.18%
Mariano D. Martinez Jr.	59,663,946	59,663,946.00	4.18%
Lowell L. Yu	59,663,946	59,663,946.00	4.18%
Tower Securities, Inc.	17,748,498	17,748,498.00	1.24%
SB Equities, Inc.	4,864,700	4,864,700.00	0.34%
The First Resources Management and Securities Corp.	4,806,402	4,806,402.00	0.34%
The Hongkong and Shanghai Banking Corp. Ltd.	2,500,000	2,500,000.00	0.18%
Wealth Securities, Inc.	1,658,500	1,658,000.00	0.12%
Coherco Securities, Inc.	1,277,100	1,277,100.00	0.09%
COL Financial Group, Inc.	890,511	890,511.00	0.06%
Alpha Securities Corp.	486,700	486,700.00	0.03%
Abacus Securities, Corp.	351,205	351,205.00	0.02%
R. Nubla Securities, Inc.	195,200	195,200.00	0.01%
Triton Securities Corp.	181,000	181,000.00	0.01%
Globallink Securities & Stocks, Inc.	135,800	135,800.00	0.01%
Philstocks Financial, Inc.	134,011	134,011.00	0.01%
AB Capital Securities, Inc.	134,000	134,000.00	0.01%
R.S. Lim & Co., Inc.	117,900	117,900.00	0.01%
Evergreen Stock Brokerage & Sec., Inc.	117,800	117,800.00	0.01%

Market Information

The PSE is the principal market for the Company's shares. On February 22, 2017, the closing price of the shares on the PSE was ₱14.04 per share.

The high and low sale prices of the shares of stock of the Company for each quarter during the last two calendar years are as follows:

YEAR	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2016	12.20	6.20	15.00	10.14	14.88	10.50	16.00	11.50
2015	27.55	15.02	24.80	11.32	16.98	11.52	14.50	11.50

Shares held by it before the Offer, the number of Common Shares to be sold by it in the Offer and the number of Common Shares to be owned by it immediately after the Offer.

Principal Shareholder	Common Shares held before the Offer	% of Common Shares outstanding before the Offer	Common Shares to be sold in the Offer	Common Shares held after the Offer	%
LBC Development Corporation	1,205,974,632	84.58%	59,101,000	1,146,873,632	79.87

The PSE rules require that if there is any issuance of shares or securities (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the initial public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities.

LBC Development Corporation is covered by the 365-day lock-up requirement:

Name of Shareholder	Number of Common Shares Subject to Lock-Up	Percentage Total of Shareholding before the Offer	Percentage Total of Shareholding after the Offer
LBC Development Corporation	1,146,873,632	80.43%	79.87%

The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction.

LBC Development Corporation covered by the 180-day PSE lock-up requirement:

Name of Shareholders	Number of Common Shares Held	Percentage Total of Shareholding before the Offer	Percentage Total of Shareholding after the Offer
LBC Development Corporation	1,146,873,632	80.43%	79.87%

To implement the foregoing lock-up requirements, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("PCD") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Company's voting securities as of the date of this Prospectus

Title of Class	Name and Address of Record Owner and Relationship to Issuer	Name of Beneficial Owner	Citizenship	No. of Common Shares Held in the Company	% of Total Outstanding Shares of the Company
Common	LBC Development Corporation General Aviation Center, Domestic Airport Compound, Pasay City (stockholder)	The record owner is the beneficial owner of the shares indicated	Filipino	1,205,974,632	84.58%

As of the date of this Prospectus, the Company has no foreign ownership.

Security Ownership of Directors and Officers as of the date of this Prospectus

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

Voting Trust Holders of five percent or More

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

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which would delay, defer or prevent a change in control of the Company.

RELATED PARTY TRANSACTIONS

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

The summary of the Company's transactions with its related parties for the years ended December 31, 2013, 2014 and 2015 and September 30, 2016 and the related outstanding balances as of December 31, 2013, 2014 and 2015 and September 30, 2016 are as follows:

	Addition / (Repayment) amount for transactions for the year ended				**Outstanding (Payables) / Receivables as of**			
	December 31,			**September 30**	**December 31,**			**September 30**
	2013	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**
	(₱ in millions)				*(₱ in millions)*			
LBC Development Corporation (parent company)								
Royalty fee................	187.1	169.0	183.5	140.4	(173.6)	(173.7)	(1.8)	(8.3)
Cash advances...........	237.3	441.7	419.8	30.6	477.9	721.9	968.1	1,129.9
	424.4	610.7	603.3	171.0	304.3	548.2	966.3	1,121.6
Entities under common control								
Delivery fee	340.2	325.3	386.4	297.8	472.6	807.3	785.6	864.4
Notes payable	-	89.8	(89.8)	-	-	(89.8)	-	-
Cash advance	-	9.5	(7.3)	0.5	-	(9.5)	(2.19)	(1.4)
Due from key management personnel								
Advances	4.3	-	5.0	0	4.3	4.3	9.3	9.0
Salaries, wages and other benefits	41.3	(9.3)	55.85	120.2	(12.4)	(21.7)	34.2	(43.0)
	727.7	1,026.0	953.44	589.5	768.8	1,238.8	1,793.2	1,950.6

The Company has the following major transactions with related parties:

Royalty Fee and Licensing Agreement with Parent Company

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

Cash Advances to and from Related Parties

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

Delivery fee

In the normal course of business, the Company fulfills the delivery of Balikbayan boxes on behalf of its international affiliates. The Company charges delivery fees for the fulfillment of this service.

DESCRIPTION OF THE SHARES

The shares to be offered shall be Common Shares of the Company.

Pursuant to its articles of incorporation as amended on October 12, 2015, the Company has an authorized amount of capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 Common Shares with a par value of ₱1.00 per share, of which 1,425,865,471 Common Shares are issued and outstanding as of the date of this Prospectus.

The Offer Shares shall be offered at a price of up to ₱17.00 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 57 of this Prospectus. A total of up to 1,435,865,471 Common Shares will be outstanding after the Offer.

Objects and Purposes

The Company has been organized primarily as a holding company, with authority to invest in, purchase, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association and associations, domestic or foreign.

The Company's purposes also include the following: (i) to reorganize, establish, maintain and operate, under the laws of the Republic of the Philippines or any other state, territory, nation, colony, province or government, one or more corporations, subsidiaries, affiliates, associations, firms, or entities, branches, representative or liaison offices, agencies or outlets for the purpose of accomplishing any or all of the objects for which the Corporation is organized; (ii) to assume or undertake or guarantee or secure, whether as solidary obligor, surety or guarantor or in any other capacity and either on its general credit or on the mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its stockholders, subsidiaries or affiliates or any person, firm, association or corporation, whether domestic or foreign and whether a going concern or not, engaging in or previously engaged in a business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for the purposes of the Corporation; (iii) to guarantee, for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest; (iv) to carry out all or any part of its purposes as principal, agent, factor, license, lessee, concessionaire, contractor or otherwise, either alone or in joint venture or association or conjunction with any other person, firm, association, corporation, entity, whether government or private; (v) to place any or all excess or idle funds or assets of the Corporation in short-term marketable securities and investments; (vi) to enter into any lawful arrangement for sharing profits, union of interest, unitization or farmout agreement, reciprocal concession or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the Corporation; (vii) to acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation; (viii) to establish and operate one or more branch offices or agencies and to carry on any or all of its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within the Philippines; and (ix) to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of the Corporation.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the purpose for which it was organized when approved by a majority of the board of directors and ratified by the stockholders representing at least two-thirds of the outstanding capital stock, at a stockholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its purposes, the approval of the stockholders shall not be necessary. Per the By-laws of the Company, its stock, property and affairs shall be exclusively managed and controlled by the board of directors.

Share Capital

A corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the Board of Directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued have a par value of ₱1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Company's By-laws, dividends may be paid out of the net profits of the business of the Company as and when the Board of Directors may elect, subject to legal requirements. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the Board of Directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Corporations whose securities are listed on any stock exchange are required to maintain and distribute an equitable balance of cash and stock dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

Pre-Emptive Rights

The Corporation Code confers pre-emptive rights on the existing shareholders of a corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company denies the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation’s records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have nine Directors, two of whom are Independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively; individual directors have no power as such. Five directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy created by the death, resignation or removal of a director prior to expiration of such director’s term shall be filled by a vote of at least a majority of the remaining members of the Board, if still constituting a quorum, Otherwise, the vacancy must be filled by the shareholders at a meeting duly called for the purpose. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders’ Meetings

Annual or Regular Shareholders’ Meetings

The Corporation Code requires all corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings every second Monday of June of each year to be held at the principal office of the Corporation and at such hour as specified in the notice.

Special Shareholders’ Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by either the President at his discretion or on demand of the stockholders holding the majority of the outstanding capital stock of the Company entitled to vote.

Notice of Shareholders’ Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. The Company’s By-laws provide that written notice of the time and place of the annual and special meetings of the shareholders shall be sent to each shareholder of record. At least ten (10) days before the date set for such meeting, provided that such notice may be waived by the stockholders in writing. No notice of meeting need be published in any newspaper, except when necessary to comply with the special requirements of the Corporation Code.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Corporation Code provides a greater percentage vis-a`-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

Under existing SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. With respect to stock dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval; provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividends. In the event that share dividends are declared in connection with an increase in the authorized capital stock, the corresponding record date shall be fixed by the SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate at or prior to the said meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and regulations issued by the SEC.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Dividends may be declared by the board of directors except for share dividends which may only be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

The Corporation Code generally requires a corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. However, a corporation may retain all or any portion of such surplus in the following cases: (1) when justified by definite expansion plans approved by the board of directors of the corporation; (2) when the required consent of any financing institution or creditor to such distribution has not been secured; (3) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies; or (4) when the non-distribution of dividends is consistent with the policy or requirement of a Government office. Corporations whose securities are listed on any shares exchange are required to maintain and distribute an equitable balance of cash and share dividends, consistent with the needs of shareholders and the demands for growth or expansion of the business.

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

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

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

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

See “Dividends and Dividend Policy” on page 58 of this Prospectus.

Transfer of Shares and Share Register

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the “PCD Nominee”). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder’s name in the books of the Company. See “The Philippine Stock Market” on page 175 of this Prospectus.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See “Philippine Taxation” on page 181 of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company’s Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

Certificates representing the Common Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. Shareholders wishing to split their certificates may do so upon application to the Company's share transfer agent, Rizal Commercial Banking Corporation - Stock Transfer Department, which will maintain the share register. Common Shares may also be lodged and maintained under the book-entry system of the PDTC. See "The Philippine Stock Market" on page 175 of this Prospectus.

Fundamental Matters

The Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares (including non-voting Preferred Shares) of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- declaration or issuance of share dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a directors or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and
- management contracts with related parties;

The approval of shareholders holding a majority of the outstanding capital shares of a corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Other Features of the Offer Shares

The Offer Shares are neither convertible nor subject to redemption. All of the Company's issued Shares are fully paid and non-assessable and are free and clear of all liens, claims and encumbrances. All documentary stamp taxes due on the issuance of all issued Shares have been fully paid.

Restriction on Transfer of Shares

As of the date of this Prospectus, there are no restrictions on the transfer of the Offer Shares in the Company's articles of incorporation and by-laws other than transfer restrictions based on nationality.

Change in Control

The Company's articles of incorporation or by-laws do not contain provisions that would delay, defer or prevent a change in control of the Company.

Recent Issuance of Exempt Securities

During the last three (3) fiscal years, the Company issued the following shares via private placements for which exemptions from registration were claimed on the basis of Section 10.1(k) of the SRC and notices of exempt transactions were accordingly filed with the SEC:

- On May 18, 2015, the Company and LBC Development Corporation entered into a Deed of Subscription, whereby LBC Development Corporation, subject to the completion of the mandatory tender offer, subscribed to, and the Company agreed to issue, 59,101,000 common shares out of the unissued authorized capital stock of the Company or 59.10% of the issued and outstanding capital stock of the Company. The aggregate consideration for the shares was ₱59,101,000.00 or ₱1.00 per share. A notice of exemption was filed with the SEC on July 31, 2015.

- On 18 September 2015, the Company and LBC Development Corporation entered into a Subscription Agreement, whereby LBC Development Corporation subscribed to, and the Company agreed to issue, 475,000,000 Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱475,000,000.00 (the "Additional Subscription - Tranche 1") out of the increase in the authorized capital stock of the Company. A notice of exemption for the Additional Subscription - Tranche 1 was filed with the SEC on October 13, 2015.

- On 18 September 2015, the Company and LBC Development Corporation entered into another Subscription Agreement wherein, subject to the approval by the SEC of the Capital Increase, LBC Development Corporation subscribed to, and the Company agreed to issue, 671,873,632 Common Shares at a subscription price of ₱1.00 per share or an aggregate subscription price of ₱671,873,632.00 (the "Additional Subscription - Tranche 2") out of the authorized and unissued capital stock of the Company. A notice of exemption for the Additional Subscription - Tranche 2 was filed with the SEC on October 13, 2015.

- On 2 October 2015, the Company entered into Subscription Agreements with each of Vittorio P. Lim, Mariano D. Martinez, Jr. and Lowell L. Yu (collectively, the "Subscribers") wherein, subject to the approval by the SEC of the Capital Increase, the Subscribers subscribed to, and the Company agreed to issue, a total of 178,991,839 Common Shares of the Company at the par value of ₽1.00 per share or an aggregate subscription price of ₱178,991,839.00 out of the authorized and unissued capital stock of the

Company.. The subscription was undertaken to ensure compliance by the Company with the PSE Minimum Public Ownership ("MPO") requirement of at least 10% of the outstanding capital stock of the Company. A notice of exemption for the subscription was filed with the SEC on October 13, 2015.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Sole Underwriter, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of 97.8 million shares, of which 61,258,733 shares were subscribed and fully paid-up as of June 30, 2013. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the president.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to as of September 30, 2016 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.3
As of September 30, 2016	7,629.7	265	14,970.9	1,508.1

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Beginning January 2, 2012, trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one and a half hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also PSE Trading Participants of the PSE;

- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and

- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Trading Participant maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., RCBC, Metropolitan Bank and Trust Company, Deutsche Bank, Unionbank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited and Maybank Philippines, Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., RCBC, Metropolitan Bank and Trust Company, Deutsche Bank, Unionbank of the Philippines, The Hong Kong and Shanghai Banking Corporation Limited and Maybank Philippines, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry

Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the PSE.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Common Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Common Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Common Shares. Prospective investors of the Common Shares are urged to consult their own tax advisors as to the particular tax consequences of the ownership and disposition of the Common Shares, including the applicability and effect of any local or foreign tax laws.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

Taxes on Dividends on the Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Common Shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

The term "non-resident holder" means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and

- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Common Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends; or

- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident holder of the Common Shares (or its duly authorized representative) prior to the first taxable event, or prior to the first and only time the income tax payor is required to withhold the tax thereon or should have withheld taxes thereon had the transaction been subject to tax. The "first taxable event" has been construed by the BIR as "payment of the dividend." Failure to file the application for tax treaty relief with the BIR prior to the first taxable event may disqualify the said application. A corporation may withhold taxes at a reduced rate on dividends paid to a non-resident holder of the Common Shares if such non-resident holder submits to the domestic corporation proof of the filing of the tax treaty relief application with the BIR prior to the payment of dividends. However, on August 9, 2013, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Common Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Common Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Common Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of Common Shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as share dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends	Capital Gains Tax Due on Disposition of Common Shares Outside the PSE
	(%)	(%)
Canada	25[(1)]	Exempt[(8)]
France	15[(2)]	Exempt[(8)]
Germany	15[(3)]	5/10[(9)]
Japan	15[(4)]	Exempt[(8)]
Singapore	25[(5)]	Exempt[(8)]
United Kingdom	25[(6)]	Exempt[(10)]
United States	25[(7)]	Exempt[(8)]

Notes:

(1) 15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.

(2) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.

(3) 10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of the company paying the dividends.

(4) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.

(5) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.

(6) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.

(7) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Tax Code provided certain conditions are met.

(8 Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(9) Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.

(10) Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day from the end of the month when the document transferring ownership was executed.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Sale, Exchange or Disposition of Shares after the IPO

Capital gains tax, if sale was made outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.0% on gains not exceeding ₱100,000 and 10.0% on gains over ₱100,000. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty. The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

The BIR has expanded the application of the 5.05%/10.0% capital gains tax by extending it even to trades through the stock exchange of shares of listed companies which do not maintain their public ownership requirement. On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 (RR 16-12), which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership ("MPO") requirement after December 31, 2012 will be subject to capital gains tax and documentary stamp tax. RR 16-12 also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

Taxes on transfer of shares listed and traded at the PSE

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, value added tax of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

Prospective purchasers of the Offer Shares should obtain their own tax advice in respect of their investment in relation to these developments.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱1.00 on each ₱200 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200, or fractional part thereof, of the par value of the Common Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Common Shares.

However, the sale, barter or exchange of Common Shares listed and traded through the PSE are exempt from documentary stamp tax.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

The transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.

The transfer of shares by gift or donation to a stranger (i.e. a person who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) will be subject to a donor’s tax at a flat rate of 30.0%. Gifts or donations to non-strangers, however, will be subject to progressive rates ranging from 2.0% to 15.0%, if the net gifts during the calendar year exceed ₱100,000.00; otherwise, such transfer will not be subject to donor’s tax. Corporate registered holders are also liable for Philippine donor’s tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30.0%.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Revenue Regulation No. 006-08 prescribes that in case the fair market value of the shares of stock sold, bartered or exchanged is greater than the amount of money and/or fair market value of the property received, the excess of the fair market value of the shares of stock sold, bartered or exchanged over the amount of money and the fair market value of the property, if any, received as consideration shall be deemed a gift subject to the donor’s tax under the Tax Code.

Corporate Income Tax

As a general rule, a domestic corporation is subject to corporate income tax of 30.0% on its taxable income[2] from all sources within or without the Philippines. The exception, among others, would be (i) gross interest income from Philippine currency bank deposits and yields from deposit substitutes, trust funds and similar arrangements, and royalties, which are subject to a final withholding tax rate of 20.0% of the gross amount of such income; (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final 7.5% tax on the gross amount of such income.

Further, in computing the corporate income tax, effective July 6, 2008, companies are given a choice to claim itemized deductions or the optional standard deduction ("OSD"), with the former being presumed unless specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A minimum corporate income tax ("MCIT") of 2.0% of gross income would likewise be applicable to the Issuer, beginning on the fourth taxable year from commencement of business operations, whenever the MCIT is greater that the ordinary corporate income tax. For this purpose, "Gross Income" means gross sales less sales returns, discounts and allowances and cost of goods sold. Passive income, such as interest on bank deposits and royalties subject to final withholding tax, shall not form part of gross income for purposes of MCIT.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax may be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

2 Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. Current BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.[3]

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into Pesos; and (iii) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSP registration document; (2) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned; (3) copy of secretary's sworn statement on the board resolution covering the dividend declaration and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the president of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.

The registration with the BSP of all foreign investments in any Common Shares received in exchange for Offer Shares shall be the responsibility of the foreign investor.

3 The term "authorized agent bank" refers to all categories of banks, except offshore banking units, duly licensed by the BSP.

Foreign Ownership Controls

The Company is engaged in air freight forwarding and the operation of private express and messengerial delivery services and, as such, is subject to nationality restrictions found under the Philippine Constitution and other laws limiting such activities to Philippine citizens. Under Republic Act No. 776 only "citizens of the Philippines" may engage in domestic air commerce, 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 60.0% of the voting interest is owned or controlled by persons who are citizens of the Philippines. Moreover, Circular No. 2001-01 issued by the Department of Transportation and Communications restricts the operation of private express and/or messengerial delivery services to Filipino citizens or corporations or partnerships duly registered with the SEC, at least 60% of whose capital stock or shares are owned by Filipino citizens.

As of the date of this Prospectus, approximately 100% of the total outstanding capital stock of the Company is held by Philippine Nationals. After completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

PLAN OF DISTRIBUTION

The Offer

The distribution and sale of the Offer Shares shall be undertaken by the Sole Underwriter who shall sell and distribute the Offer Shares to third party buyers/investors. The Sole Underwriter is authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer. Of the 69,101,000 Offer Shares to be offered, 80% or 55,280,800 shares are being offered through the Sole Underwriter for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 13,820,200 shares for distribution to the respective clients of the 135 Trading Participants of the PSE, acting as Selling Agents. Each PSE Broker shall initially be allocated approximately 104,600 Offer Shares (computed by dividing the Offer Shares allocated to the PSE Trading Participants between 132 PSE Trading Participants, with the balance of 13,000 to be allocated by the PSE Trading Participants) and subject to reallocation as may be determined by the PSE. Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the PSE Trading Participants shall be distributed by the Sole Underwriter to their clients or the general public in the Philippines or as otherwise agreed with the Sole Underwriter. Offer Shares not taken up by the PSE Trading Participants, the clients of the Sole Underwriter, or the general public shall be purchased by the Sole Underwriter.

The Underwriter

To facilitate the Offer, the Company has appointed Philippine Commercial Capital, Inc., who shall act as the Sole Underwriter. The Company and the Sole Underwriter shall enter into a Domestic Underwriting Agreement to be dated on or about [●], 2017, whereby the Sole Underwriter agrees to underwrite the Offer Shares.

Philippine Commercial Capital, Inc. was incorporated in the Philippines on September 23, 1975. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public.

There is no arrangement whereby the Sole Underwriter has the right to designate or nominate a member/s of the board of directors of the registrant.

Sale and Distribution

On or before [●], 2017, the PSE Trading Participants shall submit to the designated representative of the Sole Underwriter their respective firm orders and commitments to purchase Offer Shares. Offer Shares not taken up by PSE Trading Participants will be distributed by the Sole Underwriter directly to their clients and the general public and whatever remains will be purchased by the Sole Underwriter.

The Sole Underwriter shall receive from the Company a fee equivalent to 2.5% of the gross proceeds of the Offer. The underwriting fees shall be withheld by the Sole Underwriter from the proceeds of the Offer. PSE Trading Participants who take up Offer Shares shall be entitled to a selling fee of 0.5% of the Offer Shares taken up and purchased by the relevant PSE Trading Participants. The selling fee, less a withholding tax of 10%, will be paid by the Sole Underwriter to the PSE Trading Participants within ten banking days of the Listing Date. All of the Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the closing of the Domestic Offer.

LOCK-UP

Under PSE rules, if there is any issuance or transfer of shares (i.e. private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares (i.e. convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the offering period, for which the transaction price is lower than that of the offer price in the initial public offering, all shares availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares. A total of 1,146,873,632 Common Shares held by LBC Development Corporation will be subject to such 365-day lock-up.

The PSE rules also require that, for related party transactions, whereby the rights or public offering requirement has been waived by a majority vote of the minority stockholders, the related party subscriber must enter into an agreement with the PSE not to sell, assign, or in any manner dispose of their shares for a minimum period of 180 days after the listing of the shares subscribed in the transaction. A total of 1,146,873,632 Common Shares held by LBC Development Corporation are subject to such 180-day lock-up.

In addition, the Company and LBC Development Corporation have agreed with the Sole Underwriter that, they will not, without the prior written consent of the Sole Underwriter, issue, offer, pledge, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) any Common Shares or securities convertible or exchangeable into or exercisable for any Common Shares or warrants or other rights to purchase Common Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options for a period of 180 days after the listing of the Offer Shares.

SELLING RESTRICTIONS

Philippines

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos, legal counsel to the Company, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Sole Underwriter.

Each of the foregoing legal counsels has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

INDEPENDENT AUDITORS

The consolidated financial statements of the Company as of and for the years ended December 31, 2014 and 2015 were audited by SGV & Co., a member firm of Ernst & Young Global Limited. The consolidated financial statements for the year ended December 31, 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 2015. Cyril Jasmin B. Valencia is the current audit partner for the Company and has served as such since fiscal year 2015. 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. SGV & Co. will not receive any direct or indirect interest in the Company or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for each of the last two years for professional services rendered by SGV & Co., excluding fees directly related to the Offer.

	2014	**2015**
In millions		
Audit and Audit-Related Fees[(1)]	N/A	₱5,410,000.00
Total	N/A	₱5,410,000.00

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

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

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on June 9, 2014, provides that the audit committee shall, among other activities (i) review the reports submitted by the internal and external auditors; (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors; and (iii) coordinate, monitor and facilitate compliance with laws, rules and regulations.

The audit committee consists of at least three members of the Board of Directors, at least one of whom is an Independent Director, including the Chairman of the Committee. The Audit Committee, with respect to an external audit:

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

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

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

- Review the reports submitted by the external auditors.

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Domestic Airport Compound,
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Metro Manila
Philippines

SOLE UNDERWRITER

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