

Report on Factual Findings

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

The Stockholders and Board of Directors
Chelsea Logistics Holdings Corp.
(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Bo. Pampang, Davao City

We have performed the procedures enumerated below, which have been agreed upon with you, on the accompanying Quarterly Progress Report on the Application of Proceeds (the Report) for the period August 8, 2017 to September 30, 2017, as required by the Philippine Stock Exchange, Inc. (the PSE). The Report covers the utilization of the P5,272,347,772 net proceeds from and expenses related to the initial public offering (the IPO) of common shares of Chelsea Logistics Holdings Corp. (the Company) at the PSE on August 8, 2017. The procedures were performed solely to assist the Company comply with the PSE requirement.

Our engagement was undertaken in accordance with Philippine Standard on Related Services 4400, *Engagement to Perform Agreed-Upon Procedures Regarding Financial Information*, applicable to agreed-upon procedures engagements.

Agreed-Upon Procedures Performed

The agreed-upon procedures that we performed on the Report are presented below.

1. Obtained and checked the mathematical accuracy of the following:
 - a. The Report;
 - b. Schedule of planned application of proceeds from the IPO;
 - c. Trial balance as of September 30, 2017; and
 - d. Detailed schedule of utilization of proceeds for the period August 8, 2017 to September 30, 2017.

2. Compared the schedule of planned application of the IPO proceeds to the use of proceeds section of the prospectus. Inquired with the Company's management of the reason for the difference, if any, and requested a copy of the approval by the Board of Directors and the PSE, as appropriate, i.e., if it involved reallocation or change in the use of proceeds.
3. Compared the disbursements from the net IPO proceeds shown in the Report with the schedule of planned application of proceeds from the IPO and investigated any difference or excess of disbursements over the planned application of proceeds.
4. Performed the following procedures on the schedules obtained:
 - a. Agreed related totals to the general ledger;
 - b. Assessed reasonableness of the movements in the designated cash in bank ledger with the list of disbursements in the Report.
5. Traced to and examined supporting documents, including approval documents, of significant disbursements in the detailed schedule of utilization of proceeds and traced the total amount of disbursements per category to the Report.

Results of Agreed-upon Procedures Performed

We report the results of our work as follows:

1. We have obtained the required documents and noted no exceptions on the mathematical accuracy of each of the documents.

We present below a summary of the application of the net IPO proceeds for the period August 8, 2017 to September 30, 2017 based on the information provided by management.

	Planned Allocation of the Net IPO Proceeds	Application of the Net Proceeds (Amount Released)	Unused IPO Proceeds as of September 30, 2017
Acquisition of new vessels and vessel equipment	P 1,783,000,000	(P 58,154,660)	P 1,724,845,340
Acquisition of port facilities, containers and terminal equipment	245,000,000	-	245,000,000
Acquisition of other shipping and logistics companies*	3,200,000,000	(1,013,400,000)	2,186,600,000
General corporate services	<u>44,347,772</u>	<u>-</u>	<u>44,347,772</u>
	<u>P 5,272,347,772</u>	<u>(P 1,071,554,660)</u>	<u>P 4,200,793,112</u>

**Based on the Company's final prospectus, approximately P1,000,000,000 of the P3,200,000,000 is intended for the prepayment of any outstanding balance of amounts drawn from the US\$220,000,000 credit line from Bank of China Ltd.*

2. We have compared the schedule of planned application of the IPO proceeds to the use of proceeds section of the final prospectus. Based on our examination, we noted excess of actual IPO expenses over estimated IPO expenses amounting to P230,973,672. The management charged the excess against the amount allocated to the general corporate services.
3. We have compared the disbursements from the net IPO proceeds shown in the Report with the schedule of planned application of proceeds from the IPO. We noted the following disbursements:
 - a. The Company intends to utilize up to P1,783,000,000 of the estimated Offering Proceeds to fund capital expenditures for fleet expansion, as shown in the summary in item 1. This includes the acquisition of medium-range tanker and cargo vessels. Based on the prospectus, these expenditures are expected to be made in September 2017. Our examination of the disbursements showed the following:

Downpayment for MV Ocean Spirit

Based on the final prospectus, Trans-Asia Shipping Lines, Inc., a subsidiary, plans to acquire two cargo vessels. In accordance with this, on July 13, 2017, the Company paid US\$50,000 and US\$309,000 or equivalent to P2,727,540 and P15,436,050, respectively, as downpayment for the acquisition of the vessel named MV Ocean Spirit.

Acquisition of M/Tug Sung-an

The total disbursements of P39,991,070 or equivalent to US\$790,000 shown in the Report was made between December 28, 2016 to August 25, 2017. The payment made on December 28, 2016 amounting to P7,955,360 or equivalent to US\$160,000 is actually a downpayment for a tugboat, which the acquisition did not push through; hence, the amount was applied to the acquisition of M/Tug Sung-an. The Company still has an outstanding balance as of September 30, 2017 in relation to this acquisition.

- b. Included in the amount allocated for the acquisition of other shipping and logistics companies in the planned use of proceeds, as shown in the summary in item 1, is the Company's prepayment of US\$20,000,000 or approximately P1,000,000,000 on any outstanding balance of amounts drawn from the US\$220,000,000 credit line from Bank of China Ltd. With this, the Company paid P1,013,400,000 on August 10, 2017 translated using the spot exchange rate prevailing on the transaction date.

According to management, disbursements made prior to receipt of the IPO proceeds were made out of the Company's operating funds because of the immediate requirement for down payment to secure the acquisition of the assets while the IPO process is still on-going. Amounts disclosed in the prospectus that pertain to acquisition of M/Tug Sung-an and downpayment for MV Ocean Spirit include payments already made.

4. We noted no exceptions after performing procedures 4 and 5.

Because the above procedures do not constitute either an audit or a review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standards on Review Engagement (PSRE), respectively, we do not express an opinion or conclusion, respectively, on the use of the IPO proceeds. Had we performed additional procedures or had we performed an audit or a review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

PUNONGBAYAN & ARAULLO



By: **Ramilito L. Nañola**
Partner

CPA Reg. No. 0090741

TIN 109-228-427

PTR No. 5908629, January 3, 2017, Makati City

SEC Group A Accreditation

Partner - No. 0395-AR-3 (until May 19, 2019)

Firm - No. 0002-FR-4 (until Apr. 30, 2018)

BIR AN 08-002511-19-2015 (until Mar. 18, 2018)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

October 13, 2017