CHELSEA LOGISTICS CORP.
A UDENNA Company

BETTER SHIPPING. BETTER LOGISTICS. BETTER LIFE.

2016 ANNUAL REPORT

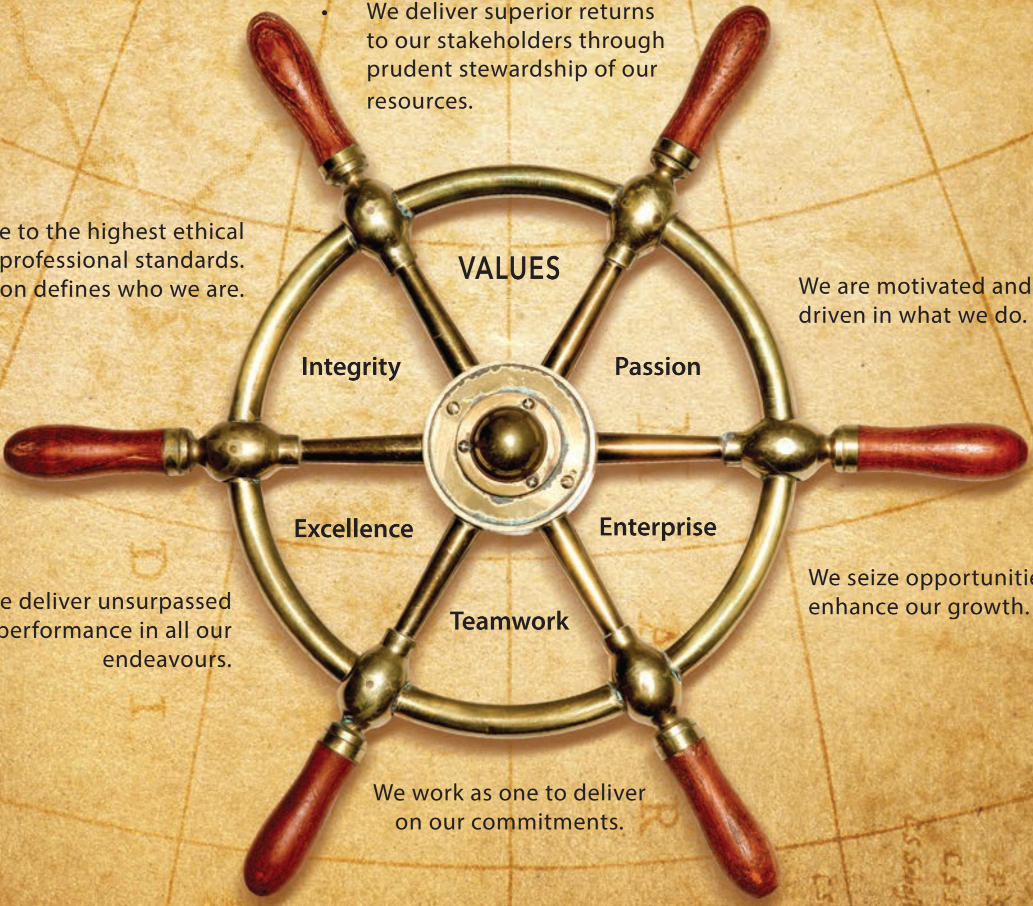
INSIDE THIS REPORT

VISION

To be the finest shipping company known for its unrivalled customer service.

MISSION

- We transport passengers, cargos, petroleum, oil, chemicals and other bulk products.
- We satisfy our customers' needs through reliable, punctual, efficient and safe service.
- We constantly challenge ourselves to do better and to perform beyond what is expected.
- We care for the community and the environment by applying the best practices in ship management, adhering to global standards.
- We deliver superior returns to our stakeholders through prudent stewardship of our resources.



We adhere to the highest ethical and professional standards. Our reputation defines who we are.

We are motivated and driven in what we do.

We deliver unsurpassed performance in all our endeavours.

We seize opportunities to enhance our growth.

We work as one to deliver on our commitments.

Chelsea Logistics Corp. (CLC) aims to provide Better Shipping, with a vision to be the finest shipping company known for its unrivalled customer service.

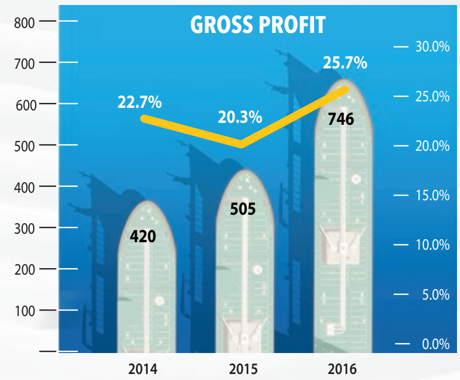
The Company, established in 2016, is engaged in the shipping transport business through its wholly-owned subsidiaries: Chelsea Shipping Corp. (CSC) and Trans-Asia Shipping Lines, Inc. (Trans-Asia).

CSC is engaged in the maritime conveyance or carriage of petroleum products, goods, wares and merchandise in the Philippines. CSC has six subsidiaries, namely Bunkers Manila Incorporated, Michael Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs Corporation, PNX-Chelsea Shipping Corp. and Chelsea Marine Manpower & Resources, Inc.

Trans-Asia is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas. Trans-Asia has four subsidiaries, namely Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc. and Quality Metal & Shipworks, Inc.

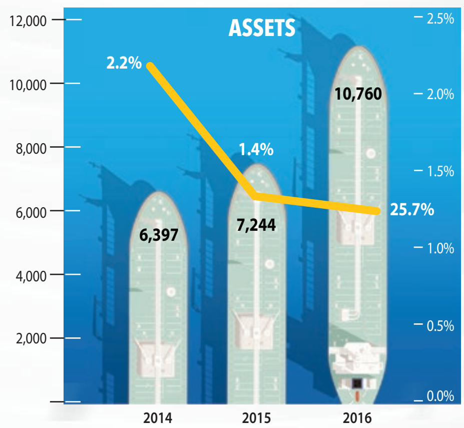
CHELSEA LOGISTICS CORP. AND SUBSIDIARIES
SUMMARY AND HIGHLIGHTS
Years 2014-2016
(In Millions PhP)

	2014	2015	2016
Income Statement Data			
Net Sales	1,848	2,485	2,900
Cost of Sales	1,428	1,980	2,145
Gross Profit	420	505	746
General and Administrative Expenses	152	171	265
Other Income - Net	(153)	(222)	(273)
Income Before Tax	115	112	208
Tax Expense (Income)	(24)	14	76
Net Income	139	98	132
EBITDA	580	735	1,018



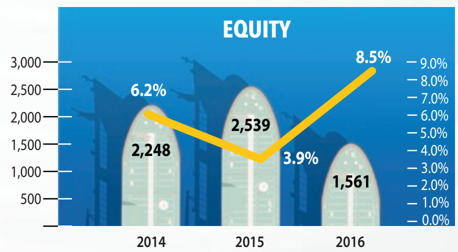
(Combined Audited in PhP Millions) Gross Profit Margin

	2014	2015	2016
Balance Sheet Data			
Current Assets	938	1,190	2,634
Non-current Assets	5,459	6,054	8,126
Total Assets	6,397	7,244	10,760
Current Liabilities	2,313	3,001	6,614
Non-current Liabilities	1,836	1,704	2,585
Total Liabilities	4,149	4,705	9,199
Total Equity	2,248	2,539	1,561
Total Liabilities and Equity	6,397	7,244	10,760

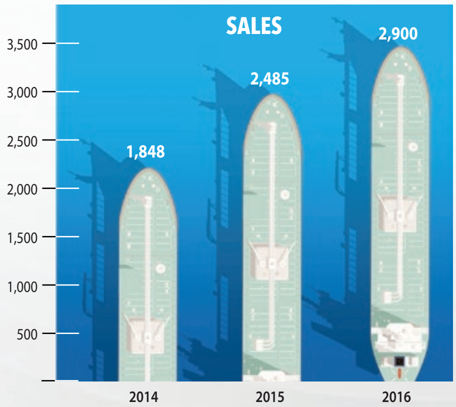


(Combined Audited in PhP Millions) Asset ROA

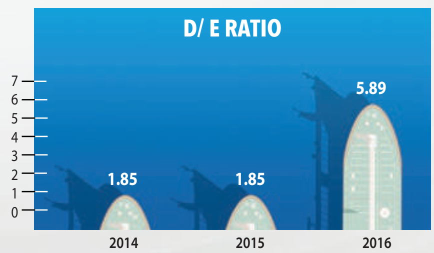
	2014	2015	2016
Financial Ratios			
Gross Profit Ratio	23%	20%	26%
Debt to Equity Ratio	1.85	1.85	5.89
EBITDA	580	735	1,018
EBITDA Margin	31%	30%	35%
ROE (%)	6%	4%	8%



(Combined Audited in PhP Millions) Equity ROE

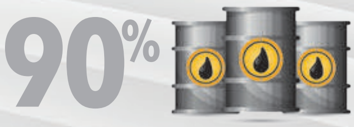


(Combined Audited in PhP Millions)

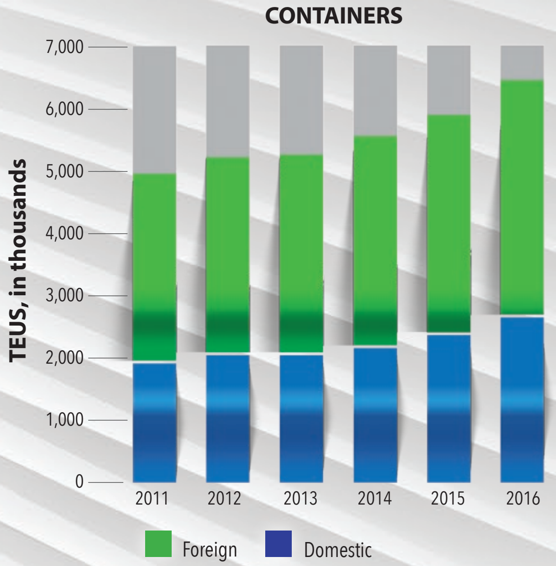


MARKET OVERVIEW

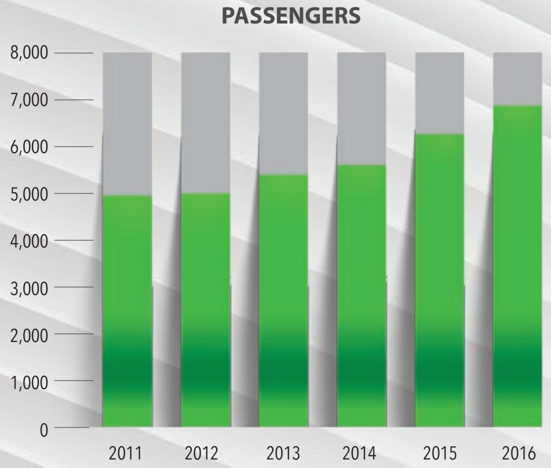
SOLID INDUSTRY FUNDAMENTALS:
Philippines net imports



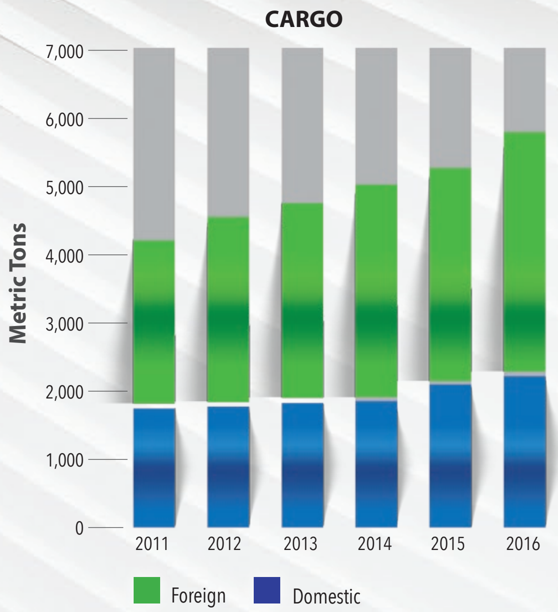
of its petroleum requirements



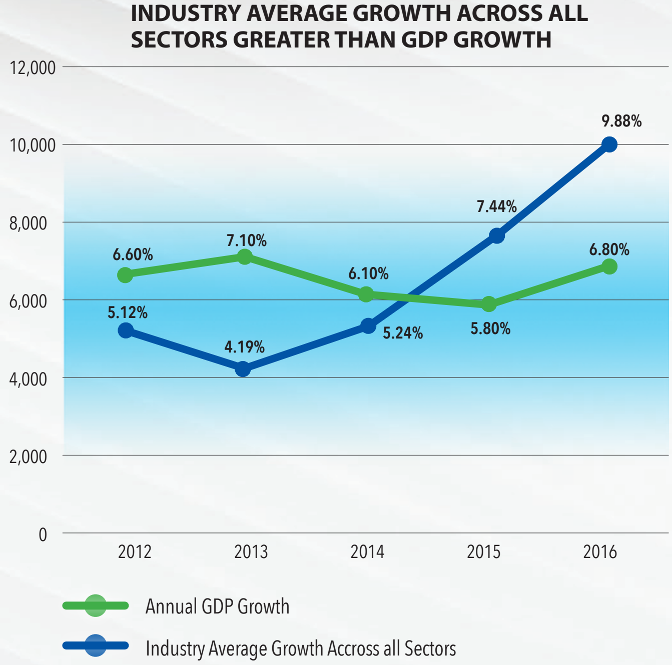
5-YEAR CAGR 4.41% Source: MARINA



5-YEAR CAGR 6.12% Source: MARINA



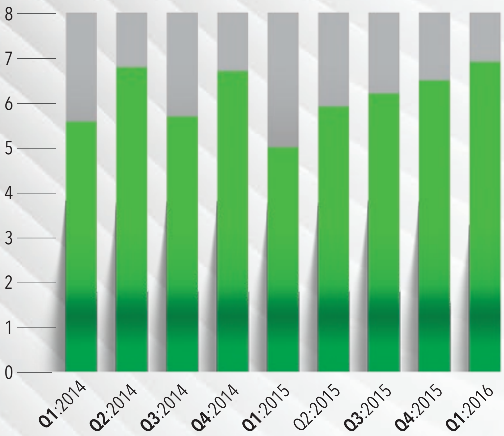
5-YEAR CAGR 5.83% Source: MARINA



Source: Philippine Statistics Authority

Impressive Philippine GDP Growth, one of the highest in Southeast Asia

IMPRESSIVE GDP GROWTH



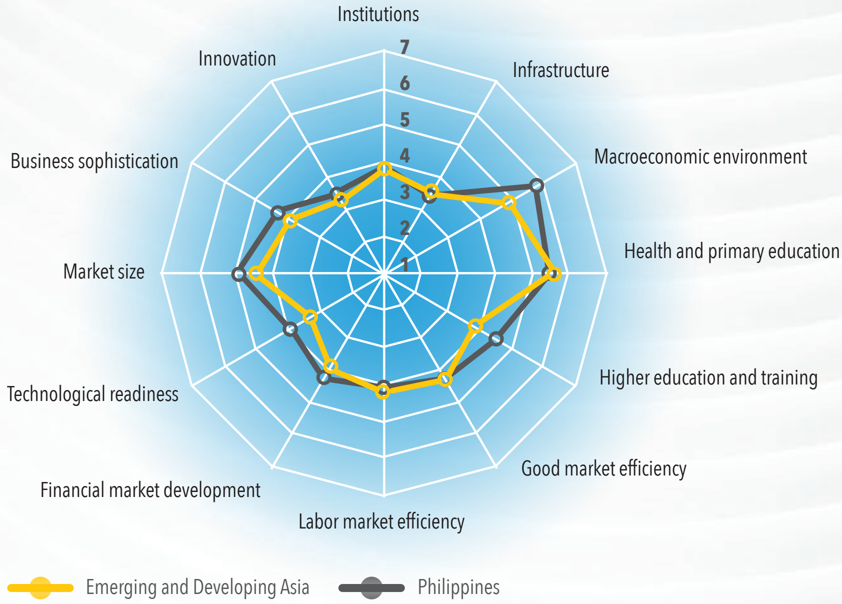
Source: Philippine Statistics Authority

PH CITIES IN TOP 100 OUTSOURCING DESTINATIONS

OFW remittances spike GDP GROWTH hits record high in 2016 exceeding Government target

The Philippines' FDI inflow hit record high in 2016 at $7.93 billion

DUTERTE'S 10 POINT ECONOMIC AGENDA: ON THE RIGHT TRACK



Source: World Economic Forum

Breaking Boundaries, Broadening Horizons

The Philippines is poised to deliver another milestone increase in growth, brought about by increasing consumer spending, spiking OFW remittances, an expanding BPO industry, and a record-high foreign direct investments. Next to solid economic and social fundamentals, the current diversification of trade ties and relationships brings bright opportunities here and abroad.

Developments in rural and urban areas and robust public spending, especially in infrastructure and social services, will bring many opportunities for the Company and the industry.

With the Philippines as the current ASEAN chairman, the country is in the economic spotlight for increased trade with allies and new trading partners in other emerging economies. Trade and tourism will steadily become growth drivers for the country.

Chelsea Logistics Corp. will seize these growth opportunities to provide Better Shipping, Better Logistics, Better Life for a stronger Philippines.

2016 WAS A BREAKOUT YEAR FOR THE PHILIPPINES

> Chelsea Logistics is well-positioned to capitalize on domestic shipping opportunities.

DENNIS A. UY
Chairman

The Philippines continues to be one of the fastest growing economies in the world amid a global slowdown and rising geopolitical uncertainties. Over the last seven years, our Gross Domestic Product (GDP) expansion has outpaced that of other ASEAN economies, and real growth has averaged 6.3% — the fastest in four decades.

Domestic consumption remains a cornerstone of the economy, fuelled by a young population, steady remittance streams from Overseas Filipino Workers (OFWs) and a robust Business Process Outsourcing (BPO) sector. The Bangko Sentral ng Pilipinas' Consumer Confidence Index clocked in at a record 9.2% for 2016.

As we approach the one-year mark of President Rodrigo R. Duterte's administration, we are starting to see the changes laid out in his 10-Point Socioeconomic Agenda. This is evidenced by the increased infrastructure spending and the rise in foreign investments. All these bode well in sustaining the heady GDP growth, as 2016 was likewise a banner year for the Udenna Group's shipping unit with the consolidation of our shipping interests under Chelsea Logistics Corp. Under the umbrella of Chelsea Logistics are Chelsea Shipping Corp. and Trans-Asia Shipping Lines, Inc.

Faster economic activity, the infrastructure push, increased demand for capital and consumer goods, the rise of e-commerce and a growing need for professionals to travel as growth pushes beyond the country's capital, is reflecting in the increased demand for shipping— for both cargo and passengers— across our archipelago of over 7,000 islands. As a group, Chelsea Logistics is well-positioned to capitalize on domestic shipping opportunities. The formation of regional trade blocs like the ASEAN and the Regional Comprehensive Economic Partnership (RCEP) also present more potential for overseas expansion.

Chelsea Shipping celebrated its 10th anniversary in July 2016. In 2006, it acquired its first tanker, M/T Chelsea Denise, primarily to serve the requirements of affiliate Phoenix Petroleum Philippines, Inc. In the last decade, Chelsea Shipping's fleet steadily grew and this year, it acquired three more vessels: M/T Chelsea Charlize, M/T Chelsea Endurance and M/T Chelsea Dominance.

Its fleet of 15 tankers makes Chelsea Shipping the largest by tonnage in the Philippines, with operations nationwide and around Southeast Asia. CSC is among the top five petroleum tanker owners in the country, serving Phoenix Petroleum, other fuel companies, and marine and aviation accounts.

In December 2016, Chelsea Logistics purchased Trans-Asia Shipping Lines, Inc., including its four subsidiaries. Trans-Asia is an industry leader in cargo handling, passage and route development — spurring trade between Cebu and Cagayan de Oro. It operates 7 passenger/cargo vessels and 3 cargo vessels. The latest vessel acquired last June is Trans Asia 12, which serves the Cebu to Manila route.

Chelsea Logistics posted a 17% total revenue growth for 2016 at ₱2.9 billion, from ₱2.485 billion in 2015. Net income for 2016 was ₱132 million — a 44% jump from the ₱98 million in profit the previous year.

A modern and efficient network of sea transport that supports the inclusive development plans of the government is a linchpin of the Philippines' sustained growth and competitiveness. Chelsea Logistics' mission— "Better Shipping"— is the main strategy to increasing market share and expanding operational reach through synergies to become the uncontested leader in Philippine shipping.

We look forward to 2017, where we expect these synergies to come into fruition. The focus for the coming year is to expand beyond our borders by being able to serve the growing requirements of Phoenix Petroleum and the expanding cargo and passenger routes in Southeast Asia, through:

- *Re-fleeting and upgrading of vessels*

Chelsea Logistics intends to buy new and optimal-sized tankers and Ro-Pax vessels configured to the different requirements and preferences of cargo owners and passengers.

- *Expanding into new and unserviced routes*

Chelsea Logistics will capitalize on being the first-mover in expanding into high-growth areas in the Philippines. Potential business opportunities will be supported through strategic fleet deployment.

- *Acquisition of other shipping and logistics companies*

Chelsea Logistics is looking to acquire more shipping and logistics companies, to boost profitability and increase market share. This will bring the Company one step closer to achieving its vision of being the go-to mover of goods and people in the Philippines.

- *Developing facilities that support the core business*

Chelsea Shipping is developing support facilities that will fuel the growth of its core business. These facilities are envisioned to stand alone and potentially provide another revenue segment for the Company. These include facilities for:

- Skills training and education
- Repair and maintenance and spare parts
- Safety and security
- Fuel, lubricants and laboratory
- Culinary and catering

As we expect 2017 to be even bigger than 2016 was for Chelsea Logistics, and in line with its focus on expansion and increasing market share, the Company acquired all the outstanding shares of Udenna Investments B.V. in a stock swap deal. Udenna Investments has an 80% economic interest in KGLI-NM Holdings Incorporated, a domestic corporation which holds 39.85% economic interest in Negros Navigation Co., which in turn owns 88.3% of 2Go Group, Inc.

2Go Group is the largest, premier logistics provider in the Philippines, and across the following brands—2Go Travel, 2Go Freight, 2Go Express and 2Go Logistics— offer comprehensive logistics and travel services.

As we celebrate our first decade, we look forward to the next 10 years with confidence that we can sustain our strong growth and support the Philippine growth story by delivering on our promise of Better Shipping, Better Logistics, Better Life.

DENNIS A. UY
Chairman

> We will take advantage of our various businesses and the wealth of experience that each one brings to challenge the status quo and drive the continuous improvement of systems, processes and overall performance of CLC and the Group.

CHRYSS ALFONSUS V. DAMUY
President & CEO

HOW WOULD YOU DESCRIBE 2016 FOR CLC IN TERMS OF ACHIEVEMENTS AND MILESTONES?

Chelsea Logistics Corp. (CLC) achieved several major milestones in 2016. First is the incorporation of Chelsea Marine Manpower Resources, Inc. (CMMRI), a wholly-owned subsidiary of Chelsea Shipping Corp., to carry out the business of providing crew for domestic and soon for foreign vessels. This has provided the Chelsea Group the needed focus to hire and train competent and experienced crew to man its ships. The extensive training and discipline of our crew was instrumental in Chelsea Shipping's attainment of 5,000,000 man-hours No Lost Time Incident (LTI) on August 18, 2016.

Second, as part of our efforts to modernize our fleet, CLC purchased three additional tankers for CSC and one cargo vessel for Trans-Asia. In December 2016, the Company also purchased two Japan-built tugboats which increased the total tugboats of CLC to 6.

Third, CLC expanded its services beyond the domestic market. The Company entered into a bareboat agreement with Seagull Marine Pte. Ltd., a Vietnamese-based company, covering M/T Chelsea Thelma and M/T Chelsea Donatela for a period of five years commencing November 2016 and March 2017 respectively, renewable for another five years. This agreement is a first for a Philippine-registered tanker, on regional bareboat.

In December 2016, Chelsea Logistics Corp. purchased the entire outstanding shares of stocks of Trans-Asia Shipping Lines, Inc. and its four subsidiaries: Oceanstar Shipping Inc., Quality Metal & Shipworks, Inc., Dynamic Cuisine, and Starsy Shoppe, Inc. Trans-Asia is one of the leaders in the field of cargo handling, passage and route development.

We view these achievements as the foundation for our goals in 2017. We cannot possibly have done all of these without the hard work and dedication of each member of our team, and for these we are very grateful. The entire team is excited as ever as we aim for higher growth this year.

WHAT ARE THE SIGNIFICANT CHANGES YOU FORESEE IN THE COMPANY WITH THE ACQUISITION OF TRANS-ASIA AND 2GO ?

The acquisition of Trans-Asia and a controlling interest in 2Go paved the way for the entry of Chelsea Logistics into the Ro-Pax and Cargo segments of the shipping industry. For its first 10 years, Chelsea Shipping Corp. was focused mainly on the tanker business. We believe that Trans-Asia and 2Go each has unique strengths which we can share across all companies in the Group to achieve synergy in operational and financial efficiency, financial results and overall customer satisfaction.

We view our diversity positively. We will take advantage of our various businesses and the wealth of experience that each one brings to challenge the status quo and drive the continuous improvement of the systems, processes and overall performance of CLC and the Group. We expect to see active collaboration among the members of the different business units in the Group, finding better ways to bring about results through the sharing of talents, resources, ideas and best practices.

WHAT ARE THE STRENGTHS OF CLC WHICH SETS IT APART FROM ITS NEAREST COMPETITORS?

We believe that we have the following competitive strengths:

First, CLC has a classed-fleet and an established preventive maintenance system and dry-docking program, which ensures optimal machinery performance and hull quality of its vessels.

CLC's vessels are all classified and evaluated by Class Societies. A majority of CLC's vessels have been classified and evaluated by Orient Register of Shipping, Inc. and the rest of the vessels by Nippon Kaiji Kyokai (NK), Bureau Veritas (BV), American Bureau of Shipping (ABS), Filipino Vessels Classification System Association, Inc. (FVCSA) and the Philippine Register of Shipping (PRS). These classification societies are focused on marine vessels and some are recognized by the International Association of Class Societies (IACS). Classification is normally required for obtaining the requisite Certificate of Public Convenience (CPC) from MARINA. Furthermore, classification also distinguishes the Company's fleet as meeting operational and safety standards. Generally, customers prefer to deal with companies that have classed-vessels.

The Company has an established preventive maintenance system and drydocking program for its vessel fleet to minimize downtime for engine breakdowns, engine overhauls and other types of repairs. During drydocking, routine engine evaluation, deck repainting, and hull cleaning are performed on the vessels. The Company endeavors to pass the strict evaluation of Classification Societies and ensure satisfaction of its clients by aligning their requirements with vessel specifications.

Second, CLC has the largest tanker fleet by tonnage amongst the five (5) major tanker players in the industry with a total GRT of 39,272.

Third, CLC has an established customer base.

The Company is the primary service provider of tanker services for Phoenix Petroleum Philippines, Inc. (PPPI), the fastest-growing oil company in the country. As PPPI continues to increase its market share, CLC capitalizes on this relationship by providing the corresponding vessel requirements needed to transport PPPI's products.

Aside from its affiliate PPPI, CLC has an established customer base which includes Cebu Pacific Air, Inc., Petron Corporation, Seaoil Philippines, Inc., Seagull Marine Pte. Ltd. and SMC Shipping & Lighterage Corporation.

Fortis Tugs Corporation, a wholly-owned subsidiary of Chelsea Shipping is the exclusive tugboat provider for all locators and port users at the Batangas Port of Calaca Industrial Seaport Corp. (formerly Phoenix Petroterminals and Industrial Park Corp.). It also provides tug assistance to domestic and foreign vessels docking at the ports of Calaca Seaport, South Bay Bulk Terminal Inc., Holcim Philippines, South Point Science Park, and Balayan Distillery Inc. In addition, the Company serves the requirements of other ports in Batangas Bay (Keppel Batangas Shipyard, Sta Clara and Mabini) under special charter arrangements.

Fourth, CSC has linkages with regional petroleum traders which gives the Company opportunities to charter out its vessels.

The Company is the first in Philippine maritime history to bareboat charter its ships to an international charterer. Currently, two of its tankers are chartered by a prestigious Vietnamese shipping company under a five-year bareboat agreement, extendable for another five years upon mutual consent by both parties. CLC also taps the business partners of PPPI which require vessels for marine transport.

2016 CSC COMMERCIAL OPERATIONS HIGHLIGHTS

In keeping with its commitment to continuously improve the quality of its domestic tanker vessels, Chelsea Shipping Corp. (CSC) pursued its re-fleeting program which started in 2014, by acquiring 3 new vessels in 2016. These three additions are M/T Chelsea Charlize, M/T Chelsea Endurance, and M/T Chelsea Dominance.

M/T Chelsea Charlize, a 1,589 GRT vessel, was purchased in April 2016 to augment the Company's capacity to haul Jet-A1 to support the growing aviation industry. This vessel is currently dedicated to service the requirements of a Philippine-based, market leader airline company with expanding domestic and international flights. M/T Chelsea Endurance, formerly M/T Ipsilantis, and M/T Chelsea Dominance, formerly MK Saturn, 2,564 GRT and 2,993 GRT respectively, were acquired to address the increasing need for white fuel products movement in the market.

In addition to this initiative, two of CSC's existing vessels, M/T Chelsea Enterprise and M/T Chelsea Intrepid, 415 GRT and 435 GRT respectively, were "re-built" and completed enhancements last year as well. These vessels were equipped with collapsible mast for its voyages via bay and river.

CSC's coverage has reached the international market thru partnership with a reputable Vietnam-based company, Seagull Marine-Petroleum, Corp. Chelsea Shipping executed a long-term Bareboat Charter Party Agreement for its vessel, M/T Chelsea Thelma (9,366 GRT), which was re-named M/T Great Diamond. This vessel was delivered to the International Charterer on October 14, and will be trading mostly in Southeast Asia. The sister ship of M/T Great Diamond, M/T Chelsea Donatela was delivered to the same Charterer in 1Q 2017.

On top of new and improved hardware, Chelsea Shipping boasts of its capability to immediately serve customers by providing creative and cost-efficient operations. The challenge presented to the Company by customer accounts like Manila-based power plants was the quick replenishment of their requirements to avoid unnecessary shutdown. Despite difficulty in the trading route and in the number of vessels needed for timely deliveries, Chelsea Shipping was able to fully serve the contracted volume. The operations for this project went smoothly without incident.

Overcoming challenges has honed Chelsea Shipping to become a better partner in the industry. Its valued charterers can rely on Chelsea Shipping Corp., steered by operationally-creative and passionate people.

CELEBRATING A SAFETY MILESTONE

As an industry leader, Chelsea Shipping Corp. (CSC) is committed to providing the leadership and training programs which ensure a safety culture in the Company, and this commitment has borne fruit.

On August 18, 2016, the Company celebrated its 5 million man-hours No Lost Time milestone. This achievement is a testament to the Company's unwavering commitment to safety. Safety is always top-of-mind for CSC across all its operations and lines of business. It is a commitment to the Company's customers, starting from the time it accepts cargo at the load port until the safe unloading of the cargo at the disport.

The LTI (Lost Time Injury) reference is recognized globally as a key indicator for a company's safety performance. It is no small feat to achieve a 5 Million No-LTI, and this achievement can be attributed to the following efforts of the Company:

> Inculcating a safety culture - From Day One of employment, all employees are oriented on the safety culture of the Company. The importance of adherence to safety procedures is a constant reminder to all new employees.
>
> Continuous training and seminars for employees - Management has a safety program of which employees are continuously updated and reminded. Safety is an everyday concern in the Company and is one of its Key Performance Indicators (KPI).

In line with the above safety measures, the Health, Safety, Security & Environment Committee has issued the Chelsea Shipping Group "Emergency Guide Booklet" to all its employees and provided each one with individual "Emergency Kits." All employees are reminded to study the booklet and keep the kit within reach for easy access when an emergency situation arises. The Committee periodically provides safety seminars to all employees in order to sustain the Safety Consciousness of everyone. The Company performs both announced and unannounced emergency drills on a regular basis to ensure each one is aware of the safety procedures during an emergency.

As of December 31, 2016, CSC has achieved a record 5,595,658 million man-hours of No Lost Time.

With its safety programs in place, CSC is looking forward to its 10 Million No Lost Time Milestone!

OUR FIRST DECADE

Humble Beginnings
Chelsea Shipping Corp. was established on 17 July 2006 initially to serve the requirements of Phoenix Petroleum Philippines, Inc. Under the able stewardship of its incorporators, the Company has steadily grown its fleet from a single vessel in 2006 to its present complement of 11 tankers and 4 barges, and 6 tugboats. In the process, the Company has attained a name in the petroleum hauling industry as a reliable ship owner.

Treading the Philippine Seas

2006

July 17, 2006

INCORPORATION OF CHELSEA SHIPPING CORP.

November 8, 2006 — M/T CHELSEA DENISE

M/T Sarangani Bay was acquired and renamed M/T Chelsea Denise

July 2006 — M/T ERNESTO UNO

M/T Ernesto Uno was chartered from Michael Inc. and became the first vessel operated by CSC

2007

September 12, 2007

CSC signed with Wenlin Tianyn Ship Charting Co. LTD. for the construction of M/T Chelsea Cherylyn

February 14, 2007

M/T Chelsea Denise started its commercial operations

December 2007 — M/T CHELSEA ENTREPRISE

M/T Cassiopeia was acquired and was renamed M/T Chelsea Enterprise, the first double hull / double bottom vessel of CSC

2008

March 1, 2008

BUNKERS MANILA, INC.

CSC took over Bunkers Manila, Incorporated which had two vessels: M/T BMI Patricia and M/T BMI Angelita

March 2008

M/T CHELSEA INTREPID

M/T Transcarrier was acquired, double hulled and lengthened and renamed M/T Chelsea Intrepid

August 2008

M/T CHELSEA RESOLUTE

M/T M/S 1 was renamed M/T Chelsea Resolute

January 2008

M/T CHELSEA EXCELLENCE

M/T Libra Gale was acquired and was renamed M/T Chelsea Excellence

September 1, 2008

CSC took over Michael, Inc., a Cebu-based shipping company with a fleet of 7 vessels (Ernesto Uno, Jasaan, Argina, Oil Carrier, St. Augustine, SSS 57G, and Alexia)

2009

July 26, 2009

M/T CHELSEA CHERYLYN

M/T Chelsea Cherylyn commenced regional operations, Philippines - Taiwan - Singapore Trade

2010

January 2010

CSC fully complied with MARINA requirement for "Double Hulling" of all black oil vessels

2011

February 2, 2011

PNX - CHELSEA

PNX - Chelsea Shipping Corp. was incorporated

August 2011

M/T CHELSEA THELMA

CSC acquired a brand new 14,000 DWT tanker and named it M/T Chelsea Thelma, the biggest Philippine registered tanker.

2012

March 30, 2012

INCORPORATION OF CSMMSC

CHELSEA SHIP MANAGEMENT & MARINE SERVICES CORP.
Performance beyond compliance

October 2012

M/T ERNESTO UNO

M/T Ernesto Uno received approval for double hulling and lengthening from MARINA.

November 2012

CSMMSC

Chelsea passed Phil - Australian Gap Analysis on ISPS Code Implementation

2013

January 2013

M/T CHELSEA DONATELA

PNX - CSC acquired a brand new 14,000 DWT oil tanker, a sister ship of M/T Chelsea Thelma, and named it M/T Chelsea Donatela.

April 8, 2013

FORTIS TUGS

Incorporation of Fortis Tugs Corporation

2014

September 2014

M/T CHELSEA DENISE II

PNX - CSC acquired a brand new 4,000 DWT oil tanker and named it M/T Chelsea Denise II

2016

March 2016 **M/T CHELSEA CHARLIZE**

M/T Jamie Faith was acquired and was renamed M/T Chelsea Charlize

May 2016 **M/T CHELSEA ENDURANCE**

M/T Ipsilantis was acquired and was renamed M/T Chelsea Endurance

June 9, 2016 **CMMRI**

Incorporation of Chelsea Marine Manpower Resources Inc. (Crew - Manning and Planning)

July 2016 **M/T CHELSEA DOMINANCE**

M/K Saturn was acquired and was renamed M/T Chelsea Dominance

July 2016 **CSC 10TH YEAR ANNIVERSARY**

2016

August 2016

MAN - HOURS
NO LOST TIME INCIDENT

August 2016 **INCORPORATION OF CHELSEA LOGISTIC CORP.**

December 2016

Acquisition of Trans - Asia Shipping Lines, Inc.

Continuing the Voyage

In November 2016, Chelsea Logistics Corp. (CLC), acquired Chelsea Shipping Corp. and its 6 subsidiaries from Phoenix Petroleum Philippines, Inc. and in December 2016, CLC purchased the entire outstanding capital stock of Trans-Asia Shipping Lines, Inc. (Trans-Asia) and its four subsidiaries. With CSC and Trans-Asia, CLC's fleet now includes 11 tankers, 4 barges, 6 tugboats, 7 Ro-Pax vessels, and 3 cargo vessels.

After a decade of honing its shipping and logistics expertise, CLC is in a position to go beyond the horizons of the local seas, moving towards conquering the seas of the ASEAN region with Better Shipping, Better Logistics, Better Life.

CHELSEA SHIPPING CORP.

The shipping business segment of Udenna Corporation has been consolidated under Chelsea Logistics Corp., (formerly Chelsea Shipping Group Corp.) which was registered with the Securities and Exchange Commission on August 26, 2016. The two main subsidiaries of Chelsea Logistics Corp. are Chelsea Shipping Corp. and Trans-Asia Shipping Lines, Inc.

Chelsea Shipping Corp. (CSC) is engaged in the maritime conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbours, and other waterways in the Philippines. Trans-Asia Shipping Lines, Inc. (Trans-Asia Shipping) is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas.

CSC is one of the top five major petroleum tanker owners in the country, serving Phoenix Petroleum Philippines, Inc., Cebu Pacific Air, Petron Corporation, Seaoil, Marine Fuels, and Batangas Bay Carriers, among other companies, and sailing on local and regional seas.

CSC has six subsidiaries, namely, Bunkers Manila, Incorporated, Michael, Inc., Chelsea Ship Management & Marine Services Corp., Fortis Tugs Corporation, PNX-Chelsea Shipping Corp. and Chelsea Marine Manpower Resources, Inc. These subsidiaries are engaged in the following businesses:

1. Bunkers Manila, Incorporated is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.

2. Michael, Inc. is engaged in the business of acquiring and operating floating equipment for charter or hire, and for conveyance and carriage of goods, wares and merchandise of every description in the Philippine coastwise traffic.

3. PNX-Chelsea Shipping Corp. is engaged in operating vessels for domestic trade for the purpose of maritime conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.

4. Chelsea Ship Management & Marine Services Corp. is engaged in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/ domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

5. Fortis Tugs Corporation is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbours, and other waterways between the various ports of the Philippines. Davao Gulf Marine Services, Inc., a wholly-owned subsidiary of Fortis Tugs, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock at the District Port of Davao and all other ports in the Philippines.

6. Chelsea Marine Manpower Resources Inc. is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

The Chelsea Shipping Fleet currently has 15 vessels with a total GRT of 39,280.64 MT. These vessels are M/T Chelsea Thelma, M/T Chelsea Cherylyn, M/T Chelsea Denise, M/T Chelsea Resolute, M/T Chelsea Intrepid, M/T Chelsea Enterprise, M/T Chelsea Excellence, owned by CSC, M/T Ernesto Uno and M/T Jasaan owned by Michael,Inc., M/T BMI Patricia owned by Bunkers Manila, Incorporated, and M/T Chelsea Donatela, M/T Chelsea Denise II, M/T Chelsea Charlize, M/T Chelsea Dominance, and M/T Chelsea Endurance owned by PNX-Chelsea Shipping Corp.

The entire Chelsea Fleet is classed by reputable Classification Associations:

* IACS Class Bureau Veritas	-	M/T Chelsea Cherylyn M/T Chelsea Donatela M/T Chelsea Thelma M/T Chelsea Denise II

* Ocean Register of Shipping - M/T Chelsea Resolute, M/T Chelsea Denise, M/T Chelsea Intrepid, M/T Ernesto Uno and M/T Jasaan

* Filipino Vessels Classification System Inc. - M/T Chelsea Enterprise

* Philippine Register of Shipping - M/T Chelsea Excellence, M/T BMI Patricia

* American Bureau of Shipping - M/T Chelsea Dominance

* Nippon KaijiKyokai - M/T Chelsea Endurance

* Korean Register of Shipping - M/T Chelsea Charlize

In line with CSC's vision to upgrade and maintain its entire fleet in line with international standards, M/T Chelsea Cherylyn and M/T Chelsea Thelma are SIRE-compliant. The other remaining vessels of the Fleet are currently undergoing inspection by a SIRE-accredited inspector for SIRE qualification.

Four vessels of the Chelsea Fleet – M/T Chelsea Donatela, M/T Chelsea Denise II, M/T Chelsea Dominance, and M/T Chelsea Charlize – are registered with the Board of Investments and enjoy BOI incentives including the Income Tax Holiday incentive.

The Chelsea Shipping Fleet is being managed by Chelsea Ship Management & Marine Services Corp., a wholly-owned subsidiary of CSC, which was incorporated on March 30, 2012.

CSC provides four (4) types of charter services, namely, voyage charter, time charter, bareboat charter and continuing voyage charter, described as follows:

1. Voyage Charter

The hiring of a vessel and crew for a voyage between a loading port and a discharging port. The charterer pays the vessel owner on a per-ton or lump-sum basis. The owner pays the port costs (excluding stevedoring), fuel costs and crew costs. The payment for the use of the vessel is known as freight. A voyage charter specifies a period, known as laytime, for unloading the cargo.

2. Time Charter

The hiring of a vessel for a specific period of time where the owner still manages the vessel but the charterer selects the ports and directs where the vessel goes. The charterer pays for all fuel the vessel consumes, port charges, and a daily hire to the owner of the vessel.

3. Bareboat Charter

An agreement where there is no maintenance liability or any kind of claim on the vessel by the owner for the period of lease of the vessel. It is an arrangement for the hiring of a vessel whereby no administration or technical maintenance is included as part of the agreement. The charterer obtains possession and full control of the vessel along with the legal and financial responsibility for it. The charterer pays for all operating expenses, including fuel, crew, port expenses and protection and indemnity and hull insurance.

4. Continuing Voyage Charter

The same as Voyage Charter except that this is exclusive for chartered vessels. Sometimes, some company-owned vessels are not available for they are dry docked for regular maintenance, thus, the company opts to hire chartered vessels so it can still render services to its customers.


Bauan La Union
Sual, Pangasinan
PORTS OF OPERATIONS
CHELSEA SHIPPING CORP.
Subic
Bataan
Pinamukan Batangas
Calaca Batangas
Lubang Islands
NPC- Malaya- Pililia
Mogpog, Marinduque
Rapu-Rapu, Albay
San Jose, Mindoro
Semirara
Port of Dumaguit, Aklan
Naga, Cebu
Misamis Oriental
Zamboanga
Cagayan de Oro
Madaum, Davao
Davao City
General Santos City


TRANS-ASIA ROUTES
Manila
Masbate
Tacloban
Iloilo
Cebu
Tagbilaran
Cagayan de Oro
Iligan
Ozamis
Zamboanga

TRANS-ASIA SHIPPING LINES, INC.

In December 2016, Chelsea Logistics Corp. purchased the entire outstanding shares of stocks of Trans-Asia Shipping Lines, Inc. and its four subsidiaries.

Trans-Asia Shipping Lines, Inc. (TASLI) was incorporated on March 25, 1974 as Solar Shipping Lines, Inc. TASLI, one of the leaders in the field of cargo handling, passage, and route development, has played a key role in the development of trade between Cebu and Cagayan. The subsidiaries of TASLI are Oceanstar Shipping Inc., Quality Metal & Shipworks, Inc., Dynamic Cuisine, and Starsy Shoppe, Inc., engaged in the following businesses:

- Quality Metal & Shipworks, Inc. – engaged in machining and mechanical works on ship machineries and industrial plants.
- Oceanstar Shipping, Inc. – engaged in the business of domestic shipping for the transportation of passengers and cargoes within territorial waters and/or on the high seas.
- Dynamic Cuisine, Inc. – engaged in operating restaurants, coffee shops, refreshment parlors, cocktail lounges, bars, and in cooking and catering foods, drinks, refreshments and other foods or commodities.

- Starsy Shoppe, Inc. – engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

TASLI operates 7 passenger cargo vessels and 3 cargo vessels. Its latest vessel is West Ocean 10, renamed Trans Asia 12, which was acquired in June 2016 and currently serves the Cebu-Manila-Cebu route. In December 2016, West Ocean 11 arrived in the Philippines, and is scheduled to be delivered to TASLI after completion of its dry-docking in mid- 2017.

With its complement of Ro-Pax vessels, TASLI is uniquely positioned as a Cebu-based company with unsurpassed experience in the Visayas-Mindanao area. The Company's operations, with its more than 300 employees has made it one of the leaders in the field of cargo handling, passage and route development. TASLI's strategy is to be the market leader in every route it plies by employing its extensive knowledge of the Visayas - Mindanao area and its long standing relationship with its customers.

After its incorporation in 1974, TASLI was instrumental in the development of trade between Cebu and Cagayan. It has developed several ports in the Visayas and Mindanao which are now centers of economic activities, hence its synonymity with route development. Currently, TASLI serves the ports of Cebu, Iloilo, Cagayan de Oro, Ozamiz, Iligan, Masbate, Tagbilaran, Tacloban, Zamboanga and Manila.

The year 2013 marked TASLI's entry into cargo modernization. The Company acquired almost 8,000 square meters of property at the Cebu Pier area right across where its vessels are berthed and upgraded operations to include 10 footer container vans while maintaining loose and palletized / break bulk operations to cater to clients' varying needs. Armed with imported and brand new container vans, it easily won over clients who clamored for 20' container van service. By year 2015, the Company started to offer 20 footer container van service for Cebu to Cagayan and Cagayan to Cebu route.

In 2016, due to clients' requests, TASLI ventured to the heart of the nation by commencing to serve Manila clients with a freighter vessel offering LCL and FCL cargo service. Barely 6 months after serving Cebu to Manila and Manila to Cebu route, the Company included 40-footer container service to its array of services for these routes.

For its passage service, the Company has continuously innovated and enhanced its capabilities. With passenger convenience always in mind, the Company made passenger

accommodations spacious, even surpassing MARINA standards. TASLI pioneered the compartmentalization of the conventional general Tourist accommodation. By turning it into cubicles, the Company offered group privacy for groups of 4 to 12 guests per cubicle. For individual convenience, each bunk is provided with a dividing curtain, headlight and charger. Its Private Rooms come with 32" LCD TV and DVD player with an extensive library of DVD movies.

The Company's Dynamic Cuisine offers Filipino oriental cuisine while its Floating Grill at the roof deck offers an authentic "larsian-type" dining experience featuring grilled meats and seafood which Cebu is famous for. Its on-board Cool Waters Spa treats clients to a relaxing body and foot massage.

To make the passage service accessible, TASLI accredited a vast network of outlets to cater to its clients' booking needs. The Company's website and mobile app provide direction to the nearest outlets and updated information regarding its services.

CLC'S SIGNIFICANT INTEREST IN 2GO GROUP, INC.

In March 2017, CLC acquired all of the outstanding capital stock of Udenna Investments B.V.'s (UIBV), a private limited liability company organized under the Dutch Law, through a share swap agreement with Udenna Corporation. UIBV owns 80% economic interests in KGLI-NM Holdings, Inc., a domestic investment holding company which holds 39.85% economic interests in Negros Navigation Co., Inc. (Nenaco). Nenaco, in turn owns 88.3% of 2Go Group, Inc.

2GO Group Inc. is the largest, premier logistics provider in the Philippines. It engages in the business of operating vessels, motorboats and watercraft, aircraft and trucks, and acting as agent for domestic and foreign shipping companies for purposes of transportation of cargoes and passengers by air, land, and sea. The group owns and operates successful brands such as 2GO Travel, 2GO Freight, 2GO Express, and 2GO Logistics, offering an array of logistics and travel services.

2Go Group operates through the Shipping and Non-Shipping segments. The Shipping segment renders passage transportation and cargo freight services. The Non-Shipping segment provides logistics services and supply chain management. The Company was founded on May 26, 1949 and is headquartered in Manila, Philippines.

2GO Group is well-positioned in addressing the needs of a fast growing Philippine economy driven by consumption and inter-island trade. The Group's growth is led by these logistics and value-added services, with its shipping operations providing a stable platform and sustainable competitive advantage.

It maintains joint venture partnerships with renowned global supply chain companies such as Hapag-Lloyd and Hansa Meyer from Germany and The Kerry Logistics Group from Hong Kong. By continuously innovating to provide solutions that are relevant, sustainable and adaptive to a fast changing market, the 2GO Group is the most favored last-mile fulfiller of the fast growing Philippine e-commerce industry.

SERVING MOTHER EARTH, FROM ROOTS TO LEAVES!

Amid its business endeavours in the fields of logistics and shipping, Chelsea Logistics Corp. (CLC) maintains its devotion to sustainable and generational stewardship of the environment and local communities. CLC is committed to the conservation and protection of the environment as well as in strengthening and empowering the communities in areas where the Company operates.

In line with these twin commitments, CLC conducted its Tree Planting and community engagement program on June 8, 2016 and November 6, 2016. Under this program, CLC partnered with the residents, LGUs and civic organizations from the province of Batangas.

In June 2016, CLC pursued its partnership with the municipal government of San Nicolas, Batangas in its Adopt-a-Hectare Program. Establishing stable roots, both literally and figuratively, CLC personnel together with the local leaders and residents including children of San Nicolas, Batangas, planted some 500 Neem and Kamagong seedlings. In Calaca Batangas, CLC distributed 200 seedlings and took part in the reforestation program within the municipality, which activity was carried out in November 2016. These programs will contribute to preserve the environment and help ensure a greener future for the coming generations of Batangueñoes.

CLC has institutionalized these greening activities in its diversified Corporate Social Responsibility Programs. Together with its partners, the LGUs, CLC looks forward to a brighter year ahead for the environment. Building on solid roots of service to our clients and partners, CLC continues with its mission of protecting the environment, with ready smiles and helping hands towards a greener tomorrow for Filipinos.

CSR Activities

Tree Planting Activity
Brgy. Alas-as, San Nicolas, Batangas
June 8, 2016
Planted 250 Neem and Kamagong Trees

Tree Planting Activity
Calaca, Batangas
November 6, 2016
Planted 200 Neem and Kamagong Trees

BOARD OF DIRECTORS

EFREN E. UY
Director

MIGUEL RENE A. DOMINGUEZ
Independent Director

EDUARDO A. BANGAYAN
Director

DENNIS A. UY
Chairman

CHERYLYN C. UY
Director, Treasurer

CHRYSS ALFONSUS V. DAMUY
Director, President & CEO

GENER T. MENDOZA
Independent Director

ARTHUR KENNETH L. SY
Director

JESUS S. GUEVARA II
Independent Director

DENNIS A. UY, Filipino, 43 years old, is the founder and Chairman of the Company. He is the Chairman and President of Udenna Corporation, the parent company, which has businesses in the shipping, logistics, distribution, real estate, and service industries. Among the subsidiaries of Udenna Corporation are Phoenix Petroleum Holdings, Inc. (PPHI), Udenna Management & Resources Corp. (UMRC), Chelsea Logistics Corp., Udenna Investments BV, and Udenna Trade Corporation. The Chelsea Logistics Corp. has the shipping businesses Chelsea Shipping Corp. and Trans-Asia Shipping Lines. Mr. Uy is also Chairman of Phoenix Philippines Foundation and Udenna Foundation. He also serves as independent director of Apex Mining Corp. Mr. Uy is a member of the Young Presidents Organization's Philippine chapter and the Philippine Business for Social Progress. Since November 2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. He is a graduate of De La Salle University with a degree in Business Management.

CHRYSS ALFONSUS V. DAMUY, Filipino, 43 years old, is the Director, President and CEO of the Company. He is the Chief Operating Officer of CSC and its subsidiaries. He is likewise the Vice-President for Finance of Phoenix Petroleum Philippines, Inc. and General Manager of Calaca Industrial Seaport Corp. (formerly Phoenix Petroleum Industrial Park Corp.). Mr. Damuy is currently the Vice Chairman of Trans-Asia Shipping and its subsidiaries Oceanstar, SSI, DCI and QMSI. Prior to his employment with the Company, he was the Controller of Lapanday Foods Corporation and held various positions in its subsidiaries including the Fresh Asia Produce as Accounting Manager and the Mindanao Fresh Produce Services Corporation as Assistant Accounting Manager. He also worked as Chief Accountant of the Regional Educators Multi-purpose Cooperative and as its Branch Officer. Mr. Damuy started his professional career as College Instructor of the Holy Cross of Davao College where as a dean's lister, he earned his Bachelor of Science Degree in Accountancy in 1997. Mr. Damuy is a Certified Public Accountant.

CHERYLYN C. UY, Filipino, 37 years old, is a graduate of Business Finance from Ateneo de Davao University. Ms. Uy is one of the pioneers/incorporators of Udenna Corporation, the ultimate parent company of Phoenix Petroleum, and which has subsidiaries engaged in the petroleum, shipping, logistics, services, and real estate businesses, among others. She is the Corporate Treasurer of Udenna Corporation. Ms. Uy is also one of the Executive Directors of Phoenix Philippines Foundation, Inc., the corporate social responsibility arm of the Company. She is the Corporate Treasurer of Udenna Management & Resources Corp. and Chelsea Shipping Corp.

ARTHUR KENNETH L. SY, Filipino, 49 years old, is a Director of the Company and President and CEO of Trans-Asia Shipping Lines, Inc. Mr. Sy is also currently the President and CEO of JGSY Marine and Allied Ventures Corp., Dynamic Cuisine, Inc., Starsy Shoppe, Inc., Sybu Real Estate Corporation, Oceanstar Shipping Corporation, Allmix Trading Inc., Quality Metal and Shipworks Inc. and, Funflatables Corporation. Mr. Sy brings with him 30 years of operations experience in the Shipping Industry. He is a holder of several degrees, Bachelor of Science in Business Administration from the University of San Carlos, Bachelor of Science in Marine Engineering and Bachelor of Science in Mechanical Engineering from the University of Cebu.

EFREN E. UY, Filipino, 55 years old, is a Director of the Company. Mr. Uy currently serves as the President and Chief Executive Officer of F2 Logistics Philippines Inc. He also serves as the President and Chief Executive Officer of F2 Global Logistics Inc., Agri Farmers Inc., F8 Prime Transport Services Inc., Ultimate Yellow Transport Services Inc., and FMoves Transport Corp. He is also the President & Chief Executive Officer of Miren Holdings Inc. He holds a degree in Bachelor of Science in Mechanical Engineering from the University of San Carlos.

EDUARDO A. BANGAYAN, Filipino, 65 years old, is a Director of the Company. Mr. Bangayan is currently the President of Summit World Group of Companies. He also serves as a Director for Fuji Oil Philippines and as an Independent Director for Manila Mining Corporation. Mr. Bangayan holds a degree in Bachelor of Science in Business Administration from the Silliman University.

MIGUEL RENE A. DOMINGUEZ, Filipino, 40 years old, is an Independent Director of the Company. Mr. Dominguez is currently the Vice President of Alsons Agribusiness Unit, Director of Sarangani Agricultural Company, Inc. and Director of Philippine Business for Social Progress. He served as Chairman of the Regional Peace and Oder Council for Region 12 (2011-2013), Chairman of SOCSARGEN Area Development Board (2008-2011) and Chairman of Regional Development Council of Region 12 (2007-2010). Mr. Dominguez was named an awardee for Governance and Public Service in the Ten Outstanding Young Men 2013 by the Junior Chamber International Philippines and the TOYM Foundation. He was the first awardee of the Jesse Robredo Leadership Award given the same year. He was governor of Sarangani province for three consecutive 3-year terms that began in 2004. Prior to his election as governor, he was the National Sales and Marketing Manager of the Alsons Aquaculture Corporation in 2003, earning for the brand "Sarangani Bay" a strong hold in the international markets, particularly in the US, Japan and Europe. He envisioned Sarangani as the aquaculture center of the Philippines, organized the Chamber of Aquaculture and Ancillary Industries of Sarangani, Inc. (CHAINS), of which he became the first President in 2002. He started the Annual Aquaculture Exposition in Sarangani, and pushed for the success of CHAINS' Grouper and Seabass Growership Project with the Sapu Padidu Small Fishermen Cooperative. He also became a Director of the Fisheries and Aquatic Board of the Philippines in 2002. He earned his degree in AB Economics, minor in Rural Development, from Boston College in the US.

JESUS S. GUEVARA II, Filipino, 62 years old, is an Independent Director of the Company. Mr. Guevara is currently the President of Alternative Power Resource Holdings, Inc. From 2009 to the present, he sits as Director of Lipa Bank, Inc. He served as Executive Vice President of the Development Bank of the Philippines where he worked for 18 years. In the last 5 years, he has served as Director for DBP Service Corporation, DBP Management Corporation, LGU Guarantee Corporation and DBP Insurance Brokerage, Inc. Mr. Guevara holds a degree in Bachelor of Arts in Economics and Masters in Industrial Relations from the University of the Philippines.

GENER T. MENDOZA, Filipino, 57 years old, is an Independent Director of the Company. Mr. Mendoza is currently the President of GNCA Holdings, Inc. since 1997. Apart from his assignment in GNCA, he also serves as a consultant to the court-appointed rehabilitation receiver or liquidator for the following companies: Ensogo Inc., Universal Rightfield Property Holdings Inc., Pacific Activated Carbon Company Inc., Premium Agro-Vet Products Inc., National Steel Corporation, and Advent Capital Corporation. Previously, he was a Principal of SyCip Gorres Velayo & Co., Vice President for Corporate Finance at Kuok Philippine Properties, Inc., and Executive Vice President of Crown Equities Inc. He serves as a Director of IPM Holdings Inc., Organizational Change Consultants International Inc., ACM Landholdings, Inc., Dualtech Training Center Foundation, Inc., and Rose Pharmacy, Inc. He earned his MBA from the Harvard Business School and his Bachelor of Science in Management Engineering (summa cum laude) from the Ateneo de Manila University.

MANAGEMENT TEAM

RICKY P. VICTORIA
Vice President – Ship Management

ATHELLE BEVERLY DIAMOND G. FELICIANO
AVP – Chartering & Synergy Functions

MA. HENEDINA V. SAN JUAN
Asst. Vice President – Business Development & Corporate Affairs / Corporate Secretary

IGNACIA S. BRAGA IV
Vice President – Finance

DENNIS A. UY
Chairman

CHERYLYN C. UY
Treasurer

CHRYSS ALFONSUS V. DAMUY
President & CEO

IRWIN M. MONTANO
Vice President – Human Resources

RODEL V. MARQUESES
Finance Controller

LEANDRO E. ABARQUEZ
Legal Counsel

Chelsea Logistics Corp. adopted a Manual of Corporate Governance (the "Manual") to ensure its compliance with the leading practices on good corporate governance and related Philippine SEC rules and regulations. The Manual was approved and adopted by its Board of Directors and deemed effective as of 27 March 2017.

The Manual features the following provisions:

- Protection of investors. The Manual provides for shareholders' rights and protection, investor relations, and a disclosure system to ensure transparency and accountability.
- Board of Directors and Management. The detailed qualifications and disqualifications, duties, functions and responsibilities of the Board and executive officers are also enumerated in the Manual.
- Checks and balances. The Manual contains the vision, strategic objectives, key policies, procedures for the management of our Company, and mechanisms for monitoring and evaluating management's performance.
- Compliance with the Manual. The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.
- Creation of committees. The Manual mandates the creation of the Nomination Committee, the Audit Committee, the Corporate Governance Committee, the Board Risk Oversight Committee and the Related Party Transaction Committee to ensure the performance of certain important functions of the Board and management.

The Company shall continue to improve its corporate governance, and shall amend, the Manual as may be necessary.

A copy of the Manual containing the foregoing provisions was submitted to the Philippine SEC together with the registration statement filed with respect to the Offer Shares.

Committees of the Board of Directors

CLC's Board of Directors created and appointed Directors to the five (5) Board committees set forth below. Each member of the respective committees named below holds office as of the date of the Prospectus and will serve until his successor is elected and qualified. The five committees are: (i) the Nomination Committee; (ii) the Audit Committee; (iii) Corporate Governance Committee; (iv) Board Risk Oversight Committee, and the (v) Related Party Transaction Committee.

Nomination Committee

CLC's Nomination Committee is responsible for reviewing and evaluating the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedures in the election or replacement of Directors. The Nomination Committee must comprise at least three (3) Directors, one of whom should be an Independent Director. The Nomination Committee reports directly to CLC's Board of Directors.

The Nomination Committee chairperson is Chryss Alfonsus V. Damuy who serves with Miguel Rene A. Dominguez and Efren E. Uy.

Audit Committee

CLC's Audit Committee shall be composed of at least three (3) qualified non-executive Directors, the majority of whom, including the Chairman, should be independent. All of the members of the Committee must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance. The Chairman of the Audit Committee should not be the chairman of the Board or of any other committees.

The Audit Committee has the following functions:

- Provide oversight of 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;
- Perform oversight functions over our internal and external auditors. It should ensure that the internal and external auditors act independent 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;
- Review the annual internal audit plan to ensure its conformity with our objectives. The plan shall include the audit scope, resources and budget necessary to implement it;
- Prior to the commencement of an 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;

- Organize an internal audit department, and consider, when necessary and desirable the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- Monitor and evaluate the adequacy and effectiveness of the our internal control system including financial reporting control and information technology security;
- Review the reports submitted by the internal and external auditors;
- Review the quarterly, half-year and annual financial statements before their submission to the board of directors, with particular focus on the following matters: any change(s) in accounting policies and practices; major judgment areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;
- Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to our overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in our annual report; and,
- Establish and identify the reporting line of our internal auditor to enable him to properly fulfil his duties and responsibilities. It shall functionally report directly to the Audit Committee.

Miguel Rene A. Dominguez is our Audit Committee chairperson, who serves with Dennis A. Uy and Jesus S. Guevara II.

Corporate Governance Committee

The Corporate Governance Committee shall be composed of at least three (3) members, all of whom should be Independent Directors, including the Chairman. The Corporate Governance Committee shall have the following duties and functions among others:

- Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;
- Oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;
- Ensure that the results of the Board evaluation are shared, discussed, and that concrete action plans are developed and implemented to address the identified areas for improvement;
- Recommend continuing education/training programs for directors, assignment of tasks/projects to board committees, succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance;
- Adopt corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Propose and plans relevant trainings for the members of the Board;
- Determine the nomination and election process for the company's directors and has the special duty of defining the general profile of board members that the company may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and
- Establish a formal and transparent procedure to develop a policy for determining the remuneration of directors and officers that is consistent with the corporation's culture and strategy as well as the business environment in which it operates.

Jesus S. Guevara II is our Corporate Governance Committee chairperson, who serves with Gener T. Mendoza and Miguel Rene A. Dominguez.

Board Risk Oversight Committee

The Board Risk Oversight Committee shall be composed of at least three (3) members, majority of whom should be Independent Directors, including the Chairman. The Chairman should not be the Chairman of the Board or of any other committee. At least one member of the

Committee must have relevant thorough knowledge and experience on risk and risk management. The Committee has the following duties and responsibilities:

- Develop a formal enterprise risk management plan which contains the following elements: (a) common language or register of risks, (b) well-defined risk management goals, objectives and oversight, (c) uniform processes of assessing risks and developing strategies to manage prioritized risks, (d) designing and implementing risk management strategies, and (e) continuing assessments to improve risk strategies, processes and measures;
- Oversee the implementation of the enterprise risk management plan through a Management Risk Oversight Committee. The BROC conducts regular discussions on the company's prioritized and residual risk exposures based on regular risk management reports and assesses how the concerned units or offices are addressing and managing these risks;
- Evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC revisits defined risk management strategies, looks for emerging or changing material exposures, and stays abreast of significant developments that seriously impact the likelihood of harm or loss;
- Advise the Board on its risk appetite levels and risk tolerance limits;
- Review at least annually the company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the company;
- Assess the probability of each identified risk becoming a reality and estimates its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the corporation and its stakeholders;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the corporation. This function includes regularly receiving information on risk exposures and risk management activities from Management; and
- Report to the Board on a regular basis, or as deemed necessary, the company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

Gener T. Mendoza is our Board Risk Oversight Committee chairperson, who serves with Arthur Kenneth L. Sy and Miguel Rene A. Dominguez.

Related Party Transaction Committee

The Related Party Transaction (RPT) Committee shall be composed of at least three (3) non-executive Directors, 2 of whom should be independent, including the Chairman. The Committee shall have the following functions:

- Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;
- Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with nonrelated parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

    a. The related party's relationship to the company and interest in the transaction;

    b. The material facts of the proposed RPT, including the proposed aggregate value of such transaction;

    c. The benefits to the corporation of the proposed RPT;

    d. The availability of other sources of comparable products or services; and

    e. An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

- Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties;
- Report to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

Jesus S. Guevara II is our Related Party Transaction Committee chairperson, who serves with Eduardo A. Bangayan and Gener T. Mendoza.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Chelsea Logistics Corp. and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the period ended December 31, 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signed this 24th day of February 2017.

Dennis A. Uy
Chairman

Chryss Alfonsus V. Damuy
President & CEO

Ignacia S. Braga IV
Chief Financial Officer

P&A Grant Thornton
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Report of Independent Auditors

The Board of Directors
Chelsea Logistics Corp. and Subsidiaries
(Formerly Chelsea Shipping Group Corp.)
(A Wholly Owned Subsidiary of Udenna Corporation)
Stella Hizon Reyes Road
Barrio Pampanga, Davao City

Opinion

We have audited the combined financial statements of Chelsea Logistics Corp., Chelsea Shipping Corp. and its subsidiaries, Trans-Asia Shipping Lines, Inc. and its subsidiaries (collectively referred to herein as the "Reporting Entities"), which comprise the combined statements of financial position as at December 31, 2016, 2015 and 2014, and the combined statements of profit or loss, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Reporting Entities as at December 31, 2016, 2015 and 2014, and their combined financial performance and their combined cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of the Reporting Entities in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the combined financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the combined financial statements, which explains the basis of presentation and disclosure, and principles of combination, including the approach to and the purpose for preparing them. The combined financial statements were prepared for the purpose of a planned initial public offering of common shares by Chelsea Logistics Corp. and listing on the Philippine Stock Exchange. In addition, the combined financial statements as of and for the years ended December 31, 2015 and 2014 include the historical financial information of Trans-Asia Shipping Lines, Inc. and its subsidiaries and Davao Gulf Marine Services, Inc., which were acquired by Chelsea Logistics Corp. in 2016.

Other Matter

The combined financial statements are derived from the audited historical financial information of the Reporting Entities. Except for the historical financial statements of Chelsea Shipping Corp. and its subsidiaries, which were audited by us, the historical financial statements of other components, which comprise 23.65% and 27.16% of the combined assets of the Reporting Entities as of December 31, 2015 and 2014, respectively, were audited by other independent accountants, appearing elsewhere in the combined financial statements.

As a part of our audit of the combined financial statements for 2015 and 2014, we also extended our audit procedures on the financial statements of Trans-Asia Shipping Lines, Inc. and its subsidiaries and Davao Gulf Marine Services, Inc., and we did not note any material misstatements except for certain prior period adjustments and reclassifications, including an adjustment for the change in accounting policy in the method of valuation for vessels and vessel equipment under Property and Equipment account, as more fully discussed in the separate financial statements of the said companies.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Reporting Entities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Reporting Entities or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Reporting Entities' financial reporting process.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporting Entities' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Reporting Entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Reporting Entities to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Reporting Entities to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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)

February 24, 2017

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

CHELSEA LOGISTICS CORP. AND SUBSIDIARIES
(Formerly Chelsea Shipping Group Corp.)
(A Wholly Owned Subsidiary of Udenna Corporation)

COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016, 2015 AND 2014

	Notes	2016	2015	2014
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	4	**P 508,940,431**	P 360,061,760	P 181,394,033
Trade and other receivables - net	5	**944,516,250**	539,429,957	281,409,983
Subscription receivable	22	**350,000,000**	-	-
Financial assets at fair value through profit or loss	6	**11,279,636**	748,000	-
Available-for-sale financial assets	9	**3,065,089**	1,876,430	-
Inventories	7	**78,874,626**	103,829,523	206,036,820
Advances to related parties	21	**194,446,078**	27,250,735	29,177,071
Other current assets	8	**542,685,688**	156,419,671	239,950,162
Total Current Assets		**2,633,807,798**	1,189,616,076	937,968,069
NON-CURRENT ASSETS				
Property and equipment - net	10	**7,818,568,442**	5,787,574,289	5,277,454,015
Investment in an associate and joint venture	11	**45,560,925**	-	2,250,000
Goodwill	24	**74,294,814**	74,294,814	74,294,814
Post-employment benefit asset	18	**4,873,519**	-	-
Deferred tax assets	20	**7,300,178**	-	-
Other non-current assets - net	12	**175,499,300**	192,146,571	104,767,110
Total Non-current Assets		**8,126,097,178**	6,054,015,674	5,458,765,939
TOTAL ASSETS		**P 10,759,904,976**	P 7,243,631,750	P 6,396,734,008

	Notes	2016	2015	2014
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	14	**P 1,358,754,469**	P 1,005,181,963	P 772,987,301
Interest-bearing loans	13	**5,029,479,642**	1,485,271,677	869,614,891
Advances from related parties	21	**85,759,255**	405,997,123	551,117,674
Advances from customers		**14,484,000**	5,108,491	19,003,143
Deposits for future stock subscription	15	**50,000,000**	98,644,899	98,644,899
Income tax payable		**75,923,029**	932,896	1,562,111
Total Current Liabilities		**6,614,400,395**	3,001,137,049	2,312,930,019
NON-CURRENT LIABILITIES				
Interest-bearing loans	13	**2,343,302,536**	1,467,831,220	1,583,774,842
Post-employment benefit obligation	18	**4,046,544**	27,308,960	53,169,042
Deferred tax liabilities - net	20	**223,354,572**	196,020,759	187,381,227
Other non-current liabilities		**14,131,942**	12,835,884	11,796,441
Total Non-current Liabilities		**2,584,835,594**	1,703,996,823	1,836,121,552
Total Liabilities		**9,199,235,989**	4,705,133,872	4,149,051,571
EQUITY	22			
Capital stock		**500,000,000**	1,117,600,000	1,117,600,000
Additional paid-in capital		-	48,146,450	48,146,450
Revaluation reserves		**1,370,998,267**	766,554,286	613,923,675
Other reserves		**(1,058,033,280)**	(58,033,280)	(58,033,280)
Retained earnings		**747,704,000**	664,230,422	526,045,592
Total Equity		**1,560,668,987**	2,538,497,878	2,247,682,437
TOTAL LIABILITIES AND EQUITY		**P 10,759,904,976**	P 7,243,631,750	P 6,396,734,008

See Notes to Combined Financial Statements.

CHELSEA LOGISTICS CORP. AND SUBSIDIARIES
(Formerly Chelsea Shipping Group Corp.)
(A Wholly Owned Subsidiary of Udenna Corporation)

COMBINED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES	2			
Charter fees	21	**P 1,422,433,646**	P 1,316,049,775	P 764,922,294
Freight		**680,073,129**	498,902,335	509,475,821
Passage		**458,595,630**	383,032,124	367,646,762
Tugboat fees		**228,370,995**	194,230,491	134,663,315
Standby charges	21	**94,295,146**	68,960,728	59,457,441
Sale of goods		**14,630,412**	22,484,257	9,434,045
Rendering of services		**1,682,388**	1,339,694	2,174,659
		2,900,081,346	2,484,999,404	1,847,774,337
COST OF SALES AND SERVICES	16	**2,154,496,763**	1,979,818,922	1,428,103,882
GROSS PROFIT		**745,584,583**	505,180,482	419,670,455
OTHER OPERATING EXPENSES	17	**264,858,347**	170,575,270	151,942,303
OPERATING INCOME		**480,726,236**	334,605,212	267,728,152
OTHER INCOME (CHARGES) - Net				
Finance costs	19.00	**(314,173,326)**	(228,754,845)	(160,308,054)
Finance income	19.00	**3,241,816**	1,787,947	1,273,487
Loss on sale of investment in an associate	11.00	**-**	(2,250,000)	-
Other income	5, 10, 21.00	**37,847,133**	7,430,321	6,374,993
		(273,084,377)	(221,786,577)	(152,659,574)
PROFIT BEFORE TAX		**207,641,859**	112,818,635	115,068,578
TAX EXPENSE (INCOME)	20.00	**75,962,051**	14,210,320	(24,019,791)
NET PROFIT		**P 131,679,808**	P 98,608,315	P 139,088,369

See Notes to Combined Financial Statements.

CHELSEA LOGISTICS CORP. AND SUBSIDIARIES
(Formerly Chelsea Shipping Group Corp.)
(A Wholly Owned Subsidiary of Udenna Corporation)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
NET PROFIT		**P 131,679,808**	P 98,608,315	P 139,088,369
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently through profit or loss:				
Fair value gain (loss) on available-for-sale financial assets - ne	9.00	**244,177.00**	(194,570.00)	-
Tax income (expense)	20.00	**(73,253.00)**	58,371.00	-
		170,924.00	(136,199.00)	-
Items that will not be reclassified subsequently through profit or loss:				
Revaluation of vessels	10.00	**865,452,258**	196,829,342	180,637,551
Remeasurement of post-employment benefit obligation	18.00	**28,326,702**	2,512,587	(12,213,866)
Tax expense	20.00	**(51,272,797)**	(6,998,604)	(35,035,416)
		842,506,163	192,343,325	133,388,269
		842,677,087	192,207,126	133,388,269
TOTAL COMPREHENSIVE INCOME		**P 974,356,895**	P 290,815,441	P 272,476,638

See Notes to Combined Financial Statements.

CHELSEA LOGISTICS CORP. AND SUBSIDIARIES
(Formerly Chelsea Shipping Group Corp.)
(A Wholly Owned Subsidiary of Udenna Corporation)

COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 207,641,859**	P 112,818,635	P 115,068,578
Adjustments for:				
Depreciation and amortization	10, 12	**609,090,468**	453,905,523	331,487,613
Interest expense	19	**202,915,217**	170,100,108	135,352,565
Unrealized foreign currency losses - net		**75,771,709**	16,037,699	19,143,508
Loss (gain) on sale of property and equipment	10	**(19,650,437)**	-	6,314,987
Impairment loss on trade and other receivables		**12,303,319**	-	6,936,716
Provision	23	**8,865,400**	-	-
Impairment losses on property and equipment	10	**2,214,621**	-	-
Interest income	19	**(1,931,140)**	(1,640,445)	(1,273,487)
Fair value gains on financial assets at fair value through profit or loss	6	**(973,829)**	(147,502)	-
Loss on sale of investment in an associate		**-**	2,250,000	-
Operating profit before working capital changes		**1,096,247,187**	753,324,018	613,030,480
Increase in trade and other receivables		**(417,389,612)**	(258,019,975)	(42,101,152)
Decrease in inventories		**24,643,156**	120,174,678	6,262,509
Increase in advances to related parties		**(364,371,957)**	(51,911,166)	(24,885,526)
Decrease (increase) in prepayments and other current assets		**(409,892,165)**	54,853,922	(162,091,254)
Decrease (increase) in other non-current assets		**58,650,571**	1,845,849	(3,383,514)
Increase (decrease) in trade and other payables		**(187,063,357)**	267,406,397	74,018,472
Increase (decrease) in advances from customers		**9,375,509**	(13,894,652)	820,607
Increase (decrease) in post-employment benefit obligation		**(1,165,655)**	(25,889,365)	2,233,700
Cash generated from (used in) operations		**(190,966,323)**	847,889,706	463,904,322
Interest received		**1,840,417**	1,640,445	1,273,487
Cash paid for income taxes		**(5,877,791)**	(1,502,159)	(14,536,846)
Net Cash From (Used in) Operating Activities		**(195,003,697)**	848,027,992	450,640,963
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	10	**(1,660,051,211)**	(788,655,332)	(1,306,970,797)
Additions to drydocking costs	12	**(118,926,046)**	(68,568,219)	(59,900,420)
Acquisition of interest in a joint venture		**(45,560,925)**	-	-
Proceeds from disposal of property and equipment	10	**38,516,084**	801,786	24,388,026
Acquisitions of financial assets at fair value through profit or loss	6	**(9,557,807)**	(600,498)	-
Acquisitions of available-for-sale financial assets	9	**(944,482)**	(2,071,000)	-
Net Cash Used in Investing Activities				(1,342,483,191)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans				1,211,180,361
Repayments of interest-bearing loans	13	**(1,262,619,243)**	(2,555,042,553)	(322,182,757)
Repayments of advances from related parties	21	**(383,316,531)**	(192,823,238)	(9,283,497)
Interest paid	19	**(197,687,024)**	(166,535,907)	(134,624,893)
Proceeds from issuance of shares of stock	22	**150,000,000**	-	-
Proceeds from advances from related parties	21	**50,578,764**	65,981,213	76,847,227
Net Cash From Financing Activities		**2,135,620,002**	189,902,687	821,936,441
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		**4,786,753**	(169,689)	89,237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**148,878,671**	178,667,727	(69,816,550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**360,061,760**	181,394,033	251,210,583
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 508,940,431**	P 360,061,760	P 181,394,033

Supplemental Information for Non-cash Investing and Financing Activities

1) The Group recognized increase in revaluation surplus, gross of tax, amounting to P865.5 million, P196.8 million and P180.6 million in 2016, 2015 and 2014, respectively (see Notes 10 and 22).

2) In 2016, 2015 and 2014, the Group reclassified certain amount from Contruction-in-progress under Property and Equipment to Drydocking cost under Other Non-current Assets (see Notes 10 and 12).

3) In 2016, the Group incurred drydocking costs which remain unpaid as at December 31,2016 amounting to P56,312,696.

4) Subscribed capital stock amounting to P350.0 million has not been collected as of December 31, 2016 and is presented as Subscription Receivable under current assets in the combined statement of financial position (see Note 22).

See Notes to Combined Financial Statements.

CHELSEA LOGISTICS CORP. AND SUBSIDIARIES

(Formerly Chelsea Shipping Group Corp.)

(A Wholly Owned Subsidiary of Udenna Corporation)

COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total
Balance at January 1, 2016		P 1,117,600,000	P 48,146,450	P 766,554,286	(P 58,033,280)	P 664,230,422	P 2,538,497,878
Subscription of shares	22	500,000,000	-	-	-	-	500,000,000
Effect of business combination		(1,117,600,000)	(48,146,450)	(184,142,520)	(1,000,000,000)	(102,296,816)	(2,452,185,786)
Total comprehensive income for the year		-		842,677,087	-	131,679,808	974,356,895
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	(54,090,586)	-	54,090,586	-
Balance at December 31, 2016		**P 500,000,000**	**P -**	**P 1,370,998,267**	**(P 1,058,033,280)**	**P 747,704,000**	**P 1,560,668,987**
Balance at January 1, 2015		P 1,117,600,000	P 48,146,450	P 613,923,675	(P 58,033,280)	P 526,045,592	P 2,247,682,437
Total comprehensive income for the year		-	-	192,207,126	-	98,608,315	290,815,441
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	(39,576,515)	-	39,576,515	-
Balance at December 31, 2015		P 1,117,600,000	P 48,146,450	P 766,554,286	(P 58,033,280)	P 664,230,422	P 2,538,497,878
Balance at January 1, 2014		P 1,104,400,000	P 48,146,450	P 517,131,691	(P 58,033,280)	P 363,560,938	P 1,975,205,799
Stock dividends declared	22	13,200,000	-	-	-	(13,200,000)	-
Total comprehensive income for the year		-	-	133,388,269	-	139,088,369	272,476,638
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	(36,596,285)	-	36,596,285	-
Balance at December 31, 2014		P 1,117,600,000	P 48,146,450	P 613,923,675	(P 58,033,280)	P 526,045,592	P 2,247,682,437

See Notes to Combined Financial Statements.

Comparable discussion on Material Changes in Results of Operations for the Year Ended December 31, 2016 vs. December 31, 2015.

Revenue

In 2016, revenues of ₱2,900 million increased by ₱415 million or 17% from 2015's level of ₱2,485 million principally from higher freight revenues by ₱181 million, charter hire fees by ₱106 million and passage revenues by ₱76 million.

Cost of sales and services

Cost of sales for the year ended December 31, 2016 amounted to ₱2,154 million or an increase of 9% from ₱1,980 million for the year ended December 31, 2015. A significant portion of the increase in cost of sales and services was due to increased depreciation and amortization expenses by approximately ₱154 million primarily as a result of three vessels acquired during the year and full year's effect of dry-docking costs incurred on two of the Company's largest tankers in 2015.

General and administrative expense

General and administrative expenses amounted to ₱265 million for the year ended December 31, 2016, from ₱171 million for the year ended December 31, 2015. The increase of 55% was due to higher salaries and employee benefits due to increased number of administrative and support personnel, taxes and licenses due to availment of new loans during the year and professional fees as a result of litigation cases involving Trans-Asia Shipping.

Provision for income tax

Provision for income tax increased from ₱14 million in 2015 to ₱76 million in 2016, which was principally due to higher provisions for income tax during the year as a result of higher taxable income during the year. It is worthy to mention that a significant tax reconciling item for the year 2016 pertains to unrealized foreign exchange losses arising from the restatement of U.S. dollar denominated interest-bearing loans which is not deductible for tax purposes until actual payment of the loan.

Net income

Net income for the year ended December 31, 2016 amounted to ₱132 million, which increased from ₱98 million for the year ended December 31, 2015 a result of the factors mentioned above.

Financial Position – December 31, 2016 vs. December 31, 2015

The Company maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Company's statement of financial position reflects stable financial growth. Total resources as at December 31, 2016 amounted to ₱10.8 billion, posting an increase of 49% compared to ₱7.2 billion as of December 31, 2015.

Cash and cash equivalents

Cash and cash equivalents increased by 41% which was primarily coming from proceeds from bank loans during the year.

Trade and other receivables

The increase in trade and other receivables from ₱539 million as of December 31, 2016 to ₱945 million as of December 31, 2015 was due to increased uncollected receivables from related parties and increase in due from agencies which represent claims from the Company's authorized agencies for tickets issued to customers.

Inventories

Decrease of 24% was substantially due to decrease in fuel and lubricants inventory.

Advances to related parties

Increase was primarily due to cash advances granted to related parties for working capital requirements. These advances are generally settled within one year.

Other Current Assets

Other current assets jumped from ₱156 million as of end of 2015 to ₱543 million as of December 31, 2016 as a result of significant advances paid to suppliers relating to down payments made for the acquisition of tugboats. In addition, deferred input VAT relating to newly acquired vessels in 2016 also contributed to the jump.

Property and equipment

The increase of over ₱2 billion in this account was due to the acquisition of new vessels during the year, which include M/T Chelsea Charlize, M/T Chelsea Endurance, M/T Chelsea Dominance, M/V Trans-Asia 1 and M/Tug Joy 98.

In addition, accumulated costs relating to dry-docking of M/T Chelsea Excellence and M/Tug Joy 98 are lodged in this account.

Other Non-current Assets

The decrease in other non-current asset accounts was primarily due to amortization of dry-docking costs, which was partially offset by additions due to the completed drydocking of four CSC tankers and five vessels of Trans-Asia.

Trade and other payables

The increase was primarily due to amounts due to the previous stockholders of CSC and Trans-Asia and shipyard costs, which have terms ranging from six to twelve months, related to the drydocking of certain vessels, remained unpaid as of the end of December 31, 2016. Deferred output as a result of the increase in trade receivables also contributed to the increase in the balance of this account.

Interest-bearing loans

The increase was primarily due to the acquisition of new vessels during the year and proceeds received to acquire CSC and Trans-Asia from its previous stockholders.

Advances from related parties

Advances from related parties declined during the year as a result of repayments made in 2016.

Advances from customers

Increase in advances from customers primarily relates to advances payments received from Seagull Marine relating to the bareboat charter covering M/T Chelsea Thelma.

Income tax payable

Increase was primarily due to higher taxable income and the expiration of the income tax holiday of M/T Chelsea Cherylyn.

Post-employment benefit obligation

The decline in the balance of this account was primarily due to significant contributions made by the Company to its post-employment benefit plans in 2016.

Deferred tax liabilities

Deferred tax liabilities increased from ₱196 million as of end of 2015 to ₱223 million as of December 31, 2016 as a result of the deferred tax on revaluation of certain vessels which completed dry-docking during the year.

PASSENGER & CARGO

TANKERS

Enterprise

Charlize

Endurance

Dominance

Ernesto Uno

Great Diamond

Resolute

Denise

Cherylyn

Denise II

Donatela

CHELSEA SHIPPING CORP. FLEET

Tankers

1. M/T Chelsea Thelma
2. M/T Chelsea Donatela
3. M/T Chelsea Cherylyn
4. M/T Chelsea Dominance
5. M/T Chelsea Denise II
6. M/T Chelsea Endurance
7. M/T Chelsea Resolute
8. M/T Chelsea Charlize
9. M/T Chelsea Denise
10. M/T Chelsea Enterprise
11. M/T Ernesto Uno

Barges

1. M/T Chelsea Excellence
2. M/T Chelsea Intrepid
3. M/T BMI Patricia
4. M/T Jasaan

Fortis Tugs Corporation

1. MTug Fortis I
2. MTug Fortis II
3. MTug Fortis III
4. MTug Fortis V
5. MTug Fortis VII

Davao Gullf Marine Services Inc.

1. MTug Samal
2. MTug Pindasan
3. MTug Sigaboy

TRANS-ASIA SHIPPING FLEET

Passenger / Cargo Ships

1. Trans-Asia 1
2. Trans-Asia 2
3. Trans-Asia 3
4. Trans-Asia 8
5. Trans-Asia 9
6. Trans-Asia 10
7. Asia Philippines

Cargo Ships

1. Trans-Asia 5
2. Trans-Asia 12
3. Asia Pacific

2GO FLEET

Cargo Ships

1. San Agustin Uno
2. San Rafael Uno
3. San Rafael Dos
4. San Lorenzo Ruiz
5. St. Nicolas of Myra
6. San Pedro Calungsod
7. West Ocean 1
8. West Ocean 5

Passenger / RORO

1. St. Michael the Archangel
2. St. Pope John Paul II
3. St. Leo the Great
4. St. Francis of Xavier
5. St. Therese of Child Jesus
6. St. Augustine of Hippo
7. St. Anthony de Padua
8 St. Ignatius of Loyola

Fastcraft

1. St. Nuriel
2. St. Uriel
3. St. Sealthiel
4. St. Emmanuel
5. St. Jhudiel
6. St. Braquiel
7. Supercat 36
8. Supercat 38
9. St. Camael
10. St. Sariel

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