CHELSEA
LOGISTICS HOLDINGS CORP.
A UDENNA Company

CHELSEA GETS YOU THERE

2017 ANNUAL REPORT

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ABOUT US

VISION

To be the finest shipping and logistics 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.

VALUES

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

Passion — We are motivated and driven in what we do.

Enterprise — We seize opportunities to enhance our growth.

Teamwork — We work as one to deliver our commitments.

Excellence — We deliver unsurpassed performance in all our endeavours.

CHELSEA LOGISTICS HOLDINGS CORP.

Chelsea Logistics Holdings Corp. (CLC) is the fastest growing shipping and logistics company in the Philippines. Established on 26 August 2016, CLC was created to act as the holding company of the shipping and logistics business segments of the Udenna Group of Companies.

CLC, through its subsidiaries, operates in all the major ports in the country and offers the following key services:

- Maritime transport services – tanker operations, cargo, and passenger
- Marine auxiliary services - cargo handling, container station and depot
- Port services – tugs assistance, fuelling and watering
- Logistics and forwarding – freight forwarding, trucking, storage and warehousing
- Crewing and Ship Management
- Courier services

CLC's major subsidiaries are:

1. Chelsea Shipping Corp. (CSC), incorporated on 17 July 2006, serves as the tanker and tugs division of CLC. Through its wholly-owned subsidiaries, CSC offers vessel chartering, port services, crewing and ship management.

2. Trans-Asia Shipping Lines, Incorporated (Trans-Asia), incorporated on 25 March 1974, provides cargo and passenger transport in the Visayas and Mindanao region. This Cebu-based company is one of the leaders in the field of cargo handling, container yard operations, passage and route development. Trans-Asia played a key role in the development of trade between Cebu-Cagayan and Cebu-Butuan.

3. WorkLink Services, Inc. (WSI), incorporated on 02 June 1994, is CLC's logistics and forwarding company known to provide reliable courier, trucking and warehousing services.

4. Starlite Ferries, Inc. (SFI), incorporated on 26 August 1994, provides cargo and passenger transport services plying the routes of the Batangas trade lanes. SFI is the dominant shipping company in the Batangas - Calapan and Roxas - Caticlan trade lanes.

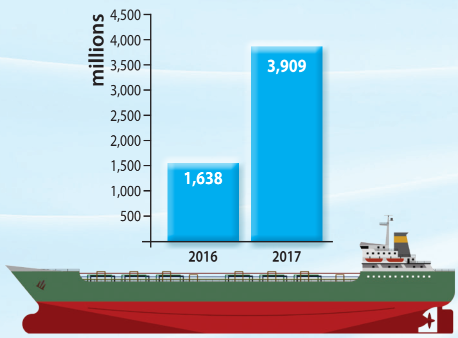
Committed to deliver fast, safe and efficient transport of goods and passengers to destinations nationwide, CLC continues to improve its capability of serving more passengers and boosting the flow of goods and passengers throughout the country. From transporting parcels to loved ones or travelling for bonding moments with family and friends, Chelsea gets you there.

FINANCIAL HIGHLIGHTS

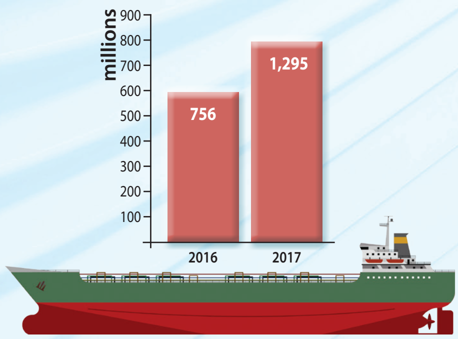
CHELSEA LOGISTICS HOLDINGS CORP.
Financial Highlights

Amounts in PhP millions	2016A	2017A
Income Statement		
Revenues	**1,638.4**	**3,909.2**
Cost of Sales and Services	1,261.2	2,862.1
Gross Profit	**377.2**	**1,047.0**
Other Operating Expenses	155.5	529.7
Operating Income	**221.7**	**517.3**
Other Income - Net	86.4	364.6
Income Before Tax	135.3	47.4
Tax Expense (income)	3.6	-113.9
Net Profit	**131.7**	**161.2**
Earnings per share	0.26	0.12
EBITDA	**756**	**1,295.0**
Balance Sheet		
Total Current Assets	2,633.8	6,921.7
Total Non-current Assets	8,126.1	19,457.9
Total Assets	**10,759.9**	**26,379.6**
Total Liabilities	6,614.4	6,101.4
Total Non-current Liabilities	2,584.8	7,120.8
Total Liabilities	**9,199.2**	**13,222.2**
Stockholders' Equity	**1,560.7**	**13,157.4**
Total Liabilities and Equity	**10,759.9**	**26,379.6**
Financial Ratios		
Gross Profit Ratio	23.0%	26.8%
EBITDA Margin	46.2%	33.1%
Net Profit Margin	8.0%	4.1%
Debt-to-Equity Ratio	5.89	1.13

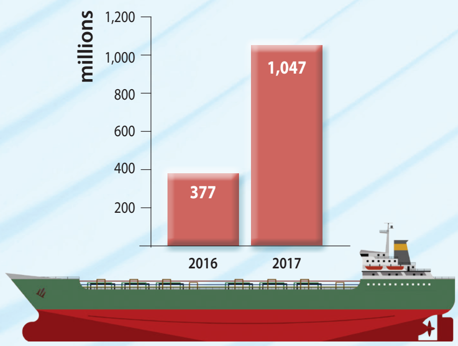
REVENUES (Pmn)



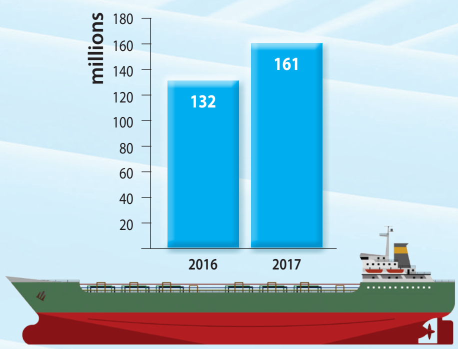
EBITDA (Pmn)



GROSS PROFIT (Pmn)

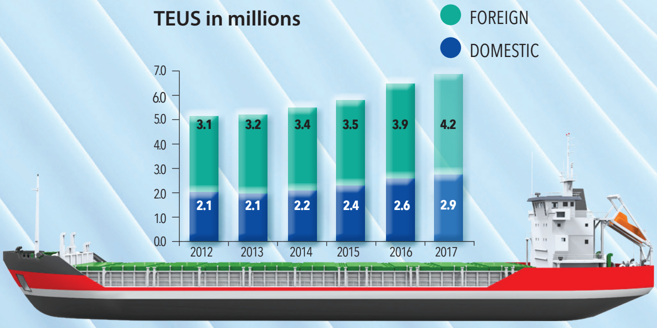


NET INCOME (Pmn)



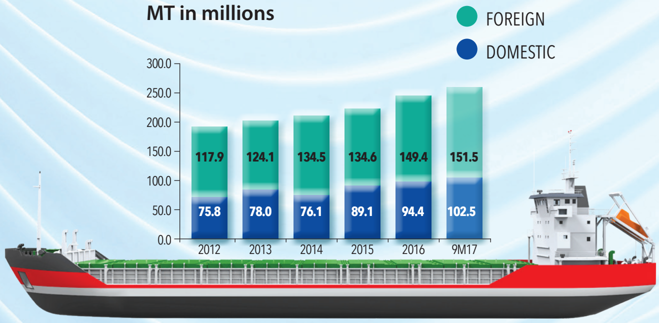
INDUSTRY HIGHLIGHTS

CONTAINER TRAFFIC
TEUS in millions



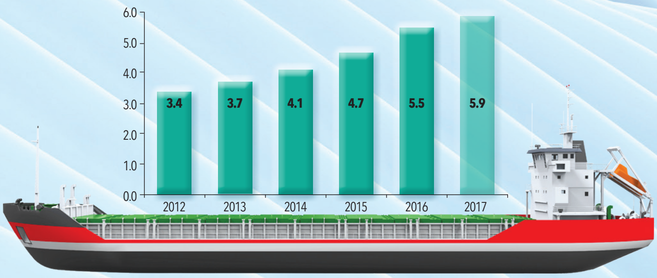
Source: Philippine Ports Authority

CARGO THROUGHPUT
MT in millions



Source: Philippine Ports Authority

RORO TRAFFIC
in millions

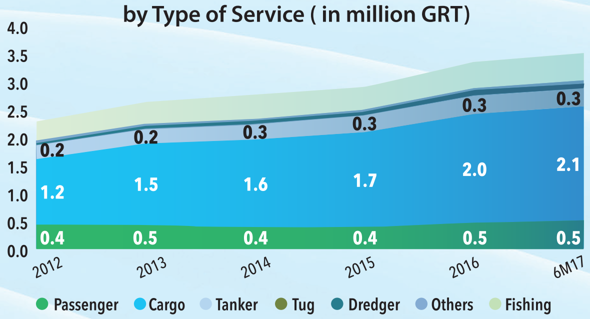


Source: Philippine Ports Authority

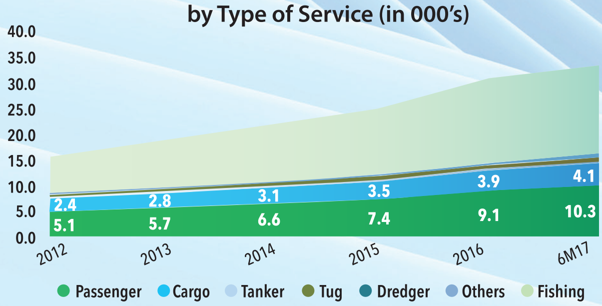
PASSENGER TRAFFIC
in millions

Source: Philippine Ports Authority

Tonnage of Registered Domestic Fleet by Type of Service (in million GRT)



Number of Registered Domestic Fleet by Type of Service (in 000's)

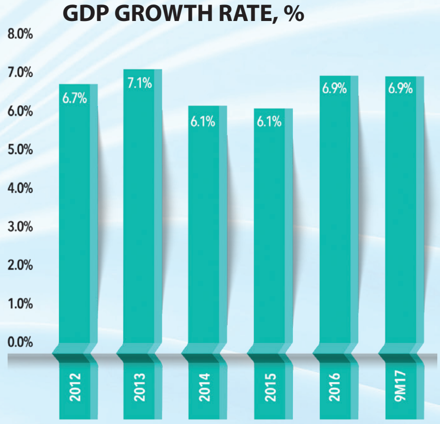


In the past five (5) years, the Philippine Maritime industry has steadiliy grown with an 8.2% compounded annual growth rate in port activities. Similarly, the tonnage of registered domestic fleet increased from 2.3 million GRT in 2012 to 3.5 million GRT in 2017, equivalent to approximately 9% annual growth rate.

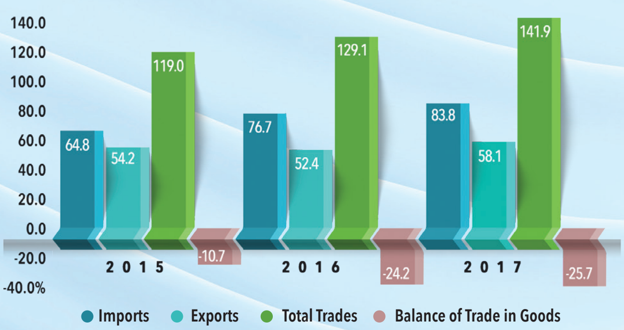
As of June 2017, 58% of the 3.5 million GRT tonnage of registered domestic fleet is dedicated to cargoes, while 15% is for passengers and 9% from tankers.

PHILIPPINE HIGHLIGHTS

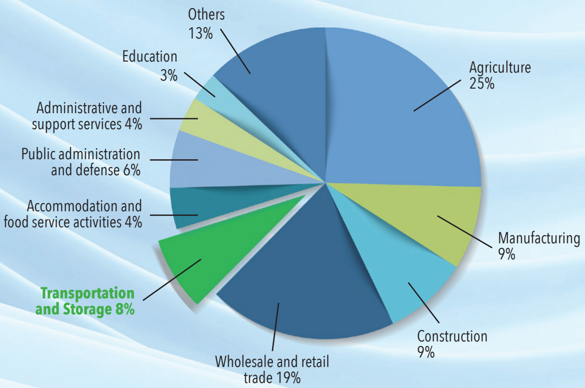
GDP GROWTH RATE, %



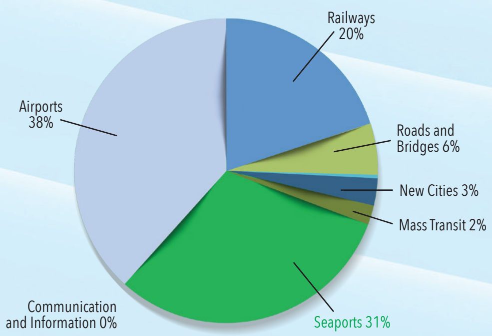
PHILIPPINE EXPORTS AND IMPORTS STATISTICS NOV 2015- NOV 2017



PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS BY INDUSTRY IN 2017



PHILIPPINE INFRASTRUCTURE PROJECTS UNDER PRESIDENT DUTERTE'S ADMINISTRATION



The Philippine economy has sustained its strong performance for the past five (5) years with an average GDP growth rate of 6.7% . Alongside this overall economic growth, the Philippine export and import activities have also strengthened from U$119.0 billion trade value in 2015 to U$141.9 billion trade value in 2017.

In 2017, import and export trade values grew by 9.3% and 10.8% year-on-year, respectively. This was mainly driven by the importation of electronic products' components, mineral fuels and lubricants, transport equipment, and industrial machinery and equipment. On the other hand, approximately 40% of Philippines' exported goods were electronic gadgets and components of electronic products which amounted to U$21.5 billion in 2017. This was followed by electronic data processors with an export value of U$5.4 billion and then machinery and transport equipment with U$3.4 billion export trades. On the same year, exported raw and processed food products amounted to U$4.0 billion. These included crude and refined coconut oil, fresh bananas, pineapples and tuna.

In 2017, according to the Philippine Statistics Authority's Annual Estimates of Labor Force Survey, a total of 40.3 million Filipinos have jobs, equivalent to 94.3% employment rate. Employed persons were categorized into three major sectors - (i) agriculture, (ii) industry, and (iii) services sector. The agriculture sector comprised 25% of the employed population. Under the industrial sector, manufacturing and construction have the biggest workforce at both 9%, while in the services sector, wholesale and retail trade took the lead with 19%, followed by transportation and storage at 8%.

During the same year, President Duterte and his administration unveiled the "Build, Build, Build" infrastructure program. To date, based on the total project costs disclosed in the Philippine Infrastructure Transparency Portal, the airports and seaports projects comprised the two biggest chunks of this nation-building program. Some of these infrastructure projects were already awarded and expected to be delivered as early as 2019.

With these economic developments and prospects, Chelsea Logistics Holdings Corp. has been expanding its operations via acquisitions of shipping and logistics companies and new vessels. Increasing its shipping and logistics competencies, Chelsea Logistics Holdings Corp. aims to (i) provide more job opportunities to Filipinos, (ii) fuel further economic growth as its vessels accommodate the growing imports, exports and domestic shipping requirements, and last but not the least (iii) provide long-term value to its stakeholders as the Company captures the opportunities in the increasing shipping and logistics requirements of the government and private sectors.

MESSAGE FROM THE CHAIRMAN

> "We are committed to delivering unrivalled shipping and logistics services to our fellow Filipinos and we view that these transactions are key steps towards fulfilling our vision of being your choice as the finest shipping company."

DENNIS A. UY
Chairman

Dear Stakeholders,

Benjamin Franklin once said, "Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

In 2017, the World Bank recognized the Philippines as a consistent growth performer in the Southeast Asia region. For indicators, we have witnessed the (i) faster-than-expected growth rate of gross domestic products (GDP) at 6.9% during the third quarter of the year; (ii) total exports rose by 6.6% to US$5.37 billion in October 2017 as compared to the same month of the previous year; and (iii) the Philippine Stock Exchange Index's (PSEi) with new all-time highs throughout the year closed at record of 8,558.42 points at the end of 2017.

This continuous growth in the Philippine economy resulted from the collaborative efforts of the current President Rodrigo Duterte's administration, the private sector, the local individual and institutional investors, and the country's labour force. The current administration has also capitalized on the strong support of the other ASEAN countries. This has given way to more partnerships with our neighbouring countries, including the prospective telecommunication investment. This agenda of the government aims to boost the Philippine economy by encouraging our private providers to integrate more sophisticated telecommunications infrastructure, which in turn would stimulate more technology and data-based businesses.

Further, the Alpha Southeast Asia named once more the Philippine Stock Exchange as the best stock exchange in Southeast Asia for the year 2017. The confidence of our local individual and institutional investors as well as our foreign partners has benefited the Company through Chelsea Logistics Holdings Corp.'s successful listing on August 8, 2017. We are truly grateful for the trust you have given us and for the opportunity to serve you and our Filipino customers better.

In this regard, we are happy to share with you our significant milestones for the year. We have been blessed with various opportunities to expand our reach, a few of which are as follows:

1. **ACQUISITION OF SUBSTANTIAL SHAREHOLDINGS IN 2GO GROUP**

   In March, we acquired a 28.15% beneficial onwership interest in the 2Go Group and subsequently took over the management effective April 2017. 2Go Group is the Philippines' leading logistics provider, which offers comprehensive logistics and travel services under the brands – 2Go Travel, 2Go Freight, 2Go Express and 2Go Logistics. We envision this move to pave the way for us to be the prime mover of goods and passengers in the country.

2. **ACQUISITION OF WORKLINK SERVICES, INC.**

   In November 2017, we acquired 100% of the issued and outstanding capital stock of WorkLink Services, Inc. (WSI). WSI, established in 1994, is a company engaged in courier, forwarding, trucking and logistics services. We believe this acquisition together with maintaining WSI's experienced management team and employees will reinforce CLC's end-to-end transport services.

3. **ACQUISITION OF STARLITE FERRIES, INC.**

   Also in November 2017, the Philippine Competition Commission (PCC) ruled in favor of our Company in its approval of the purchase of Starlite Ferries, Inc. (SFI). SFI is a shipping company based in Batangas City which operates a fleet of 14 roll-on/roll-off (RORO) ferries in the ports of Batangas, Calapan, Caticlan, Odiongan, Puerto Galera and Roxas.

We are committed to delivering unrivalled shipping and logistics services to our fellow Filipinos and we view that these transactions are key steps towards fulfilling our vision of being your choice as the finest shipping company.

As we ended the year, CLC had a total fleet of 75 vessels, 51 of which are roll-on/roll-off passenger (RoPax) vessels, 15 tankers and 9 tugboats that operate in all the major ports in the country.

The efficient usage of these assets enabled the Chelsea Group to generate PHP 3.9 billion in revenues in 2017, a 139% growth from 2016. Consequently, as of end December 2017, the Company recorded a net income of PHP 161 million, equivalent to 22% increase from 2016.

We think this is just the beginning of our splendid journey together. As for me, it is not just me choosing; it is you also choosing to be part of our family. So please, in the succeeding years to come, join us in looking forward to a Better Chelsea bringing our fellow Filipinos safely and conveniently to destinations everywhere. Chelsea will get you there.

DENNIS A. UY
Chairman

Q&A WITH THE PRESIDENT & CEO

> "As the leading shipping and logistics company, CLC has long-range plans and scheduled capital expenditures, the benefits of which are not expected to come to fruition immediately."

CHRYSS ALFONSUS V. DAMUY
Director, President & CEO

AFTER THE AUGUST 8, 2017 IPO OF THE COMPANY, WHAT SIGNIFICANT ACTIVITIES DID THE COMPANY UNDERTAKE?

In the Prospectus we submitted in support of our IPO, we outlined the projects the Company would undertake with the IPO proceeds. The major items were the acquisition of other shipping and logistics companies, the acquisition of new vessels and vessel equipment, and the acquisition of port facilities, containers and terminal equipment.

In November 2017, CLC completed its acquisition of 100% of the shares of WorkLink Services, Inc., a one-stop integrated logistics solutions provider, and of Starlite Ferries, Inc., a Ro-Ro passenger and cargo ship operator based in Batangas.

For the period October to December 2017, CLC purchased 3 cargo vessels and made a downpayment for the purchase of a medium-range tanker.

For the same period, CLC acquired a floating dock which would be utilized for the drydocking and ship repair of the Group's fleet of over 70 vessels and also purchased container vans and forklifts to be utilized by the Company's subsidiary, Trans-Asia Shipping Lines, Incorporated.

WHAT ARE THE MAJOR PLANS AND PROGRAMS OF THE COMPANY FOR 2018?

The medium-range tanker purchased by the Company and a number of cargo vessels and tugboats are scheduled for delivery by the first quarter of 2018. These vessels are expected to generate substantial revenues for the Company.

For the rest of the year, the Company will be on the look-out for other shipping and logistics companies which would provide added value to the existing Chelsea fleet, and synergies to the Udenna Group as a whole.

The Company hopes to ride the "Build, Build, Build" mentality of the present administration. With the growth objectives of the Government, there is a need for more and better shipping and logistics support, and the Company aims to provide these. CLC plans to continuously upgrade its fleet not only in terms of number but also by acquiring newer or younger vessels. With these new vessels, the Company plans to expand to new routes and destinations, thus serving more Filipinos spread across the archipelago.

WHAT IF THE CURRENT ADMINISTRATION FALLS SHORT ON THE EXECUTION OF THE "BUILD, BUILD, BUILD" INFRASTRUCTURE PROGRAM, WILL THIS HAVE AN IMPACT ON THE LONG-TERM PROSPECTS OF THE COMPANY?

The "Build, Build, Build" infrastructure program of the government is a huge opportunity, not only for the shipping and logistics industries but also for the construction, power, and machinery and equipment industries. However, we have ensured that in planning for the Company, we have not anchored all our prospects on this program of the government, but also considered the country's other growing needs that we are capable of serving. These include, among others, the continuously growing tourism industry as well as the increasing demand in shipping capacity for commercial and industrial sectors.

ARE THERE ANY EVENTS OR CHANGES IN THE MARINE INDUSTRY WHICH WILL HAVE A BIG IMPACT ON THE COMPANY'S OPERATIONS?

The implementation by the Maritime Industry Authority of its expected circulars limiting the age for passenger vessels, and also the phase-out of wooden hull vessels is expected to have a huge impact on existing industry players. For CLC's subsidiaries, we are anticipating stricter implementation by the MARINA of regulations on PWD-access, and facilities for nursing mothers and infants, and also the relaxation of the rules on bed RoRos for long trips.

THE SHARE PRICE OF CLC IS STILL BELOW ITS OFFER PRICE, WHAT CAN CLC SHAREHOLDERS EXPECT IN 2018 AND IN THE COMING YEARS?

As the leading shipping and logistics company, CLC has long-range plans and scheduled capital expenditures, the benefits of which are not expected to come to fruition immediately. Hence, we encourage our investors to use a longer time frame in considering the appreciation of our Company's value. CLC Management is bullish on the long-term prospects of the Company, primarily on the expected revenues and earnings from the present acquisitions and investments coupled with the growth of the maritime industry in the country.

To cite a few plans, in the next couple of years the Company will expand to other shipping activities like port operations, ground handling services, ship repair and also shipbuilding. For its logistics business, CLC plans to get additional trucks and build a bigger warehouse to accommodate the increasing demand for its services. With CLC's shipping companies, WorkLink Services, Inc. will now have the advantage in terms of priority loading on Chelsea vessels. Also, CLC will not be limited to land and maritime transport but looks to expand its operations to include air shipments by partnering with airline logistics companies.

WITH THE IMPLEMENTATION OF THE TAX REFORM FOR ACCELERATION AND INCLUSION (TRAIN) LAW STARTING 2018, HOW DOES THE ADDITIONAL EXCISE TAX ON FUEL AFFECT THE OPERATIONS OF THE GROUP?

Since early last year, the Group has hedged against the anticipated increase in fuel prices by locking in the contracts for the fuel supply. This mechanism has allowed the Group to manage its fuel costs for the coming months.

HOW DO VARIOUS ECONOMIC FACTORS, PARTICULARLY THE CONTINUING DEVALUATION OF THE PHILIPPINE PESO AFFECT THE OPERATIONS OF THE GROUP, AND WHAT MEASURES HAS THE COMPANY PUT IN PLACE TO MITIGATE THE EFFECT OF THESE FACTORS?

The Group has a number of foreign currency denominated loans which arose from facilities obtained to finance the Group's vessels in previous years. The Company has proactively implemented counter measures in view of the continuing devaluation of the Philippine Peso and its impact to the consolidated earnings of the Group. In 2017, the Group started converting the foreign currency denominated loans into Philippine Peso loans. These include the US$6.5 million and US$7.5 million loans obtained from Philippine Business Bank in 2016.

OUR JOURNEY, GETTING THERE

Chelsea Logistics Holdings Corp. (CLC) is a corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on 26 August 2016 primarily to act as a holding company.

From a single vessel in 2006, CLC has grown its fleet to a formidable 75 vessels which includes 39 roll-on/roll-off passenger vessels, 12 cargo ships, 11 tankers, 9 tugboats and 4 barges. CLC's total capacity includes carrying 65.7 million litters of petroleum, loading 4,994 TEUs of cargo, transporting 25,286 passengers, and calling in all major ports within the Philippines.

On March 27, 2017, CLC acquired a 28.15% indirect economic interest in 2Go Group. 2Go is the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

On 08 August 2017, the Company debuted on the Philippine Stock Exchange (PSE) under the trading symbol "CLC". CLC successfully raised Php5,837,613,240 by offering 546,593,000 primary common shares at an initial offer price of PHP10.68 per share. The net proceeds were earmarked for the acquisition of shipping and logistics companies, new vessels and vessel equipment; port facilities, containers and terminal equipment.

On 8 November 2017, CLC acquired a 100% stake in a one-stop integrated logistics solutions provider, WorkLink Services, Inc. (WSI). The strategic acquisition of WSI paved the way to complement and create synergy within the group thereby expanding CLC's market reach by providing door-to-door delivery to its valued clients.

On 09 November 2017, the Company completed the acquisition of Starlite Ferries, Inc. (SFI), a roll-on, roll-off passenger (RoPax) ship operator based in Batangas City known to have played a vital role in the Batangas trade lane. This acquisition was an opportunity for the CLC to establish its presence in the Batangas province and eventually within its neighbouring locale.

Throughout 2017, CLC strategically acquired vessels to grow its subsidiaries' fleet and is still on the look-out for newer vessels with the aim of ensuring that Chelsea can safely bring goods and people to destinations everywhere.

2016

26 August

Incorporation of CLC

CHELSEA LOGISTICS HOLDINGS CORP. A UDENNA Company

- pioneer subsidiary, Chelsea Shipping Corp., was incorporated 17 July 2006, Fleet: 15 vessels

24 November

Acquisition of CSC from Phoenix Petroleum Philippines Inc.

CHELSEA SHIPPING CORP.

12 December

Trans-Asia SHIPPING LINES, INC. A Chelsea Logistics Holdings Company

CLC acquires 100% stake of Trans-Asia Shipping Lines Incorporated, established 25 March 1974, Fleet: 10 vessels

15 December

FORTIS TUGS

CSC through Fortis Tugs Corporation, acquired Davao Gulf Marine Services, Inc., a Davao-based tug provider

DAVAO GULF MARINE SERVICES, INC.

2017

27 March

CLC acquires substantial shareholdings in 2Go Group, Inc.

30 June

Trans-Asia acquires 2,334 GRT RoPax vessel

05 July

Trans-Asia acquires 6,384 GRT cargo vessel

08 August

CLC debuts on the Philippine Stock Exchange via an Initial Public Offering (IPO)

08 November

CLC acquires 100% of WorkLink Services, Inc.

09 November

CLC acquires 100% of Starlite Ferries, Inc.

15 November

Fortis Tugs acquires 167 GRT Tugboat

28 November

Fortis Tugs acquires 2 Tugboats and 1 Barge

04 December

Fortis Tugs acquires 404 GRT Tugboat

18 December

Trans-Asia acquires 2 cargo vessels with a total GRT of 12,794

19 December

PNX-Chelsea Shipping Corp. acquires 3 cargo vessels with total GRT of 15,835

21 December

Chelsea Shipping Corp. acquires a Floating Dock

22 December

Chelsea Shipping Corp. acquires a medium-range tanker

CHELSEAGOESIPO

On 8 August 2017, Chelsea Logistics Holdings Corp. (CLC) successfully debuted on the Philippine Stock Exchange with an oversubscribed initial public offering (IPO) of common shares.

The Company offered 546,593,000 new common shares to raise about P5.84 billion in gross proceeds, as it pursued an aggressive expansion to better serve the growing shipping and logistics needs of the archipelago.

As described by its Chairman Mr. Dennis A. Uy, the role of the shipping and logistics industry in sustaining and driving the growth of the economy of an archipelago like the Philippines is, to say the least, crucial. Moving agricultural products, construction materials, petroleum and other vital goods as well as large numbers of people from one island to another requires a robust, efficient and reliable shipping industry.

In this light, CLC has moved to modernize and expand its fleet, open and serve more routes, and ensure the safety of its sea passengers.

The IPO net proceeds were used for the acquisition of shipping and logistics companies, new vessels and vessel equipment, port facilities, and containers and terminal equipment. The Company believes that these acquisitions are crucial to the vision of CLC of being a total logistics company.

OPERATIONAL HIGHLIGHTS

CHELSEA SHIPPING CORP.

Chelsea Shipping Corp. (CSC) was incorporated on 17 July 2006 and commenced commercial operations on 01 January 2007. CSC was initially established to serve the requirements of its sister company, Phoenix Petroleum Philippines, Inc. CSC has attained a name for itself in the petroleum hauling industry as a reliable service provider. The Company has grown to be one of the top five (5) petroleum tankers in the country.

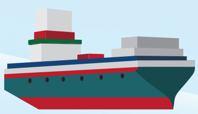
CSC, through its wholly-owned subsidiaries, offers the following services:

- PNX-Chelsea Shipping Corp. (PNX-Chelsea) – maritime carriage for petroleum products, goods, wares, and merchandise of any description
- Fortis Tugs Corporation (Fortis) – towage and salvage of marine vessels and other crafts, and tug and other marine services
- Michael, Inc. (MI) – cargo transport
- Bunkers Manila, Inc. (BMI) – inter-island vessels for domestic trade
- Chelsea Ship Management and Marine Services Corp. (CSMMSC) – ship management services
- Chelsea Marine Manpower Resources, Inc. (CMMRI) – full and partial crewing for domestic and foreign vessels

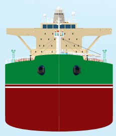
In 2017, CSC safely transported 575.3 million liters of petroleum. Also in the same year, CSC and its subsidiaries acquired a total of 10 vessels - 5 tugboats, 3 RoPax vessels, 1 floating dock and 1 medium range tanker - the biggest tanker to be registred under the Philippine flag, all of which will be deployed to the various subsidiaries of CSC.

CSC not only transports and delivers commodities to destinations nationwide as the Company, through CMMRI, also employs Filipino men and women who aspire to be part of the maritime industry.

As of year-end 2017, CSC operates a fleet of 11 tankers, 4 barges and 9 tug boats for the maritime transport of petroleum products and other bulk liquid cargo.



FLEET SIZE
39,281 GRT



TANKER CAPACITY
65.7M LITERS

Trans-Asia
SHIPPING LINES, INC.
A Chelsea Logistics Holdings Company

With over 40 years of experience in providing better shipping in the central and southern part of the country, Trans-Asia Shipping Lines, Incorporated (Trans-Asia) is now the leading shipping company in the Visayas and Mindanao region.

Formerly known as Solar Shipping Corp., Trans-Asia was incorporated on 25 March 1974 to provide inter-island transport between Cebu and Cagayan. Trans-Asia has four (4) subsidiaries that complement its current operations, namely:

- Oceanstar Shipping Corporation – provides the vessel operator services of Trans-Asia
- Starsy Shoppe, Inc. – the giftshop brand and convenience store on-board all of its vessels
- Quality Metal & Shipworks, Inc. – the repairs and maintenance provider
- Dynamic Cuisine, Inc. – the on-board restaurant

With the Duterte administration's promise to BUILD, BUILD, BUILD, Trans-Asia fully supports the efforts of the government by delivering quality transport services and upholding safety standards. In 2017, Trans-Asia recorded 1,663,343 revenue tons, a 17% year-on-year growth.

With the growing need for cargo transport, Trans-Asia acquired 3 additional cargo vessels in 2017, namely MV Orient Spirit, MV Meratus 1 and MV Meratus 2 to boost its cargo transport unit. In addition to these acquisitions, Trans-Asia acquired a 5,142 sq. lot in Navotas and expanded its container yard in Harbour Centre, Tondo to support its Manila operations.

In 2017, Trans-Asia implemented a stricter policy on board on its vessels to maintain the security and safety of its passengers, amongst the new policies implemented are:

- No Smoking On-Board (In compliance with EO No. 26 and MARINA advisory No. 2017-15)
- No ID, No Boarding Policy
- Passenger check-in using Barcode Scanning
- No ID, No Ticket Issuance

The improvements in Trans-Asia were not limited to its services and operations. The Company strengthened its marketing by reaching its target consumers with the use of social media to increase brand awareness and loyalty.

Moreover, to provide a fast and efficient ticketing service, Trans-Asia launched a mobile application through Google Play and partnered with Phoenix Petroleum Philippines, Inc. and M. Lhuiller in making booking tickets available online and nationwide at their gasoline stations and branches, respectively. Trans-Asia also intensified its loyalty program through Starsy Card by adding discounts and other privileges to its cardholders by tying-up with retail merchants.

Trans-Asia's endless efforts to improve and enhance service quality for the Filipino people adhere to CLC's vision of becoming the finest shipping company, known for its unrivalled customer service. Truly, Trans-Asia gets you to your destination safely and securely.

As of year-end 2017, Trans-Asia has 7 roll-on/roll-off(RoPax) vessels and 4 Cargo ships, which serve more than half a million passengers annually calling at 10 base ports in the VisMin region.

TOTAL TRIPS
3,583

PASSENGERS
656,766

STARSY SHOPPE
MEMBERSHIP
26.6% INCREASE

TICKET

TICKETING OFFICE
398

2GO group, inc.

2GO Group, Inc. (2GO) is one of the largest premier logistics provider in the Philippines. The Company offers a wide selection of hotel accommodations and services, tours and events packages, with the ease of land and sea travel. Born out of established brands such as Negros Navigation, Superferry, Cebu Ferries, and Supercat, 2GO has a combined history of more than 148 years in travel industry.

The Company was formed and organized on 26 May 1949 under the corporate name William Lines, Inc. The Company adopted the brand "2GO" as its flagship brand for its three core business units, namely, 2GO Freight, which handles commercial and personal shipping needs; 2GO Travel, which integrates passenger ships and fast ferries through land and sea multimodal transport linkages; and 2GO Supply Chain, which handles logistics, distribution, warehousing, and inventory management. The Company is engaged in the movement of people for passage business (2GO Travel) and cargo business (2GO Freight).

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.

The strategic acquisition of the 2Go Group helps CLC achieve its goal of addressing the needs of the fast growing Philippine economy for interisland trade. CLC, through 2Go is able to bring people and goods to a wider area of coverage within the Philippine group of islands.

As of 31 December 2017, 2GO and its subsidiaries have a total fleet of 26 operating vessels, 8 of which are roll-on/roll-off passenger vessels, 8 cargo vessel and 10 fastcrafts.

CARGO CAPACITY
17,000 CONTAINERS

VESSELS
26

AREA COVERAGE
3,300 DELIVERY POINTS

WAREHOUSE CAPACITY
161,000 SQM

DELIVERY TRUCKS
550

WORKLINK SERVICES, INC.

We sky it.

When an item has to arrive on time, we have the expertise that delivers! You can rest assured that your shipment will get there safe and fast.

We ship it.

Our people are knowledgeable and experienced in all aspects of ocean cargo shipping. We can get it there!

We shuttle it.

With our own ground transportation fleet, we can handle a diverse range of cargo requirements at very competitive prices.

We steer it.

We offer quick trucking service that provides pick-up by first available driver and deliver directly to destination.

We secure it.

We understand that anything can happen so we take extra care to make sure that your most valuable and fragile shipments are safe and secure.

We store it.

This product offers solutions for your Just-in-Time marketing programs and inventory control especially during peak demands.

Whatever your logistics requirements may be, We Simplify It, We Solve It.

WorkLink Services, Inc. (WSI) successfully established itself as a domestic logistics solution provider for various industries, lending its expertise in management and distribution of a wide range of merchandise such as documents, food, garments and industrial equipment.

WSI was incorporated on 02 June 1994 to provide efficient, effective and reliable courier, forwarding, trucking and logistics services to a growing domestic industry.

From nationwide delivery of general cargo, trucking services and warehouse rentals, audit and encoding services to various marketing logistics solutions, WSI has evolved to offer a diverse line of logistics services and solutions that will be of great value to any organization.

On 08 November 2017, in pursuit of its vision of becoming the preferred total logistics service provider in the Philippines, CLC acquired 100% ownership of WSI.

During the year, WSI completed 374,344 deliveries, a 25% increase in deliveries compared to 2016's 298,501 total completed deliveries.

Also, in 2017, WSI acquired an 880-sqmwarehouse in Taguig City, thus bringing its total warehouse capacity to 3,347 sqm. The Company also procured a Transport Management System from Israel to further increase efficiency and productivity of its operations at the same time cope with its clients' growing volume of deliveries.

With WSI's 19 years in the logistics business combined with an experienced and competent management and staff, CLC is ready to become a transport powerhouse that will surely deliver on time to destinations nationwide.

As of year-end 2017, WSI has a total of 4 warehouses located at Manila, Cebu, Davao and Bacolod; 17 delivery trucks and delivers to approximately 59 locations throughout the Philippines.

WAREHOUSE CAPACITY
3,347 SQM

DELIVERY TRUCKS
17

AREA COVERAGE
59 PROVINCES

Starlite Ferries, Inc. (SFI) is one of the dominant shipping companies in the Batangas - Calapan and Roxas - Caticlan trade lanes. The Company has established itself as the main choice of passengers due to its thrust of being customer-focused and providing safe, comfortable, and environmentally-responsible marine transport service in the region.

On 26 August 1994, SFI was formed to provide safe, competent, dependable, and environmentally responsible marine transportation service. With the growing demand market in the Batangas trade lanes, the Calapan to Batangas route then had daily average passenger traffic of 10,000 people and an average vehicle count of 1,500 to 2,000 units.

SFI prides itself on securing a certification from the International Maritime Organization as compliant with the International Safety Management (ISM) Code since 2001. The ISM Code provides the international standard for the safe management and operation of ships and for pollution prevention.

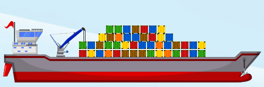
Early 2017, SFI expanded its service by added routes to Romblon and other tourist attractions in Mindoro. Also in 2017, SFI acquired a brand-new 2,725 GRT RoPax vessel named M/V Archer. This is the 5th brand-new vessel of SFI since implementing its vessel modernization program which forms part of the fleet that services the ports of Batangas, Calapan, Puerto Galera, Odiongan, Roxas, and Caticlan.

In 2017, SFI transported 1.7 million passengers, an increase of 36% year-on-year compared to the 1.2 million passengers transported in 2016. In terms of cargo, SFI increased its cargo shipments by 53% year-on-year from moving 133,000 rolling cargoes in 2016 to 205,000 rolling cargoes in 2017.

On 09 November 2017, CLC acquired 100% ownership of SFI, folding in to the group 14 roll-on/roll-off passenger (RoPax) vessels.

With the acquisition of SFI, CLC is now in full gear to become the leading mover of vital goods, cargo, and passengers in the Philippines.

As of year-end 2017, SFI operates a fleet of 14 roll-on roll-off passenger (RoPax) vessels.



CARGO CAPACITY
229 VEHICLES

PASSENGER CAPACITY
5,971 PASSENGERS

AREAS OF OPERATION

OURSAFETYMEASURES

We have proudly worked 7,000,000 Man-Hours with No Lost Time Incident as of September 1, 2017.

CORPORATE SOCIAL RESPONSIBILITY

CLC EMPLOYEES: THE HEART OF ITS CORPORATE SOCIAL RESPONSIBILITY PROGRAMS

CSR Activities

Mangrove Tree - Planting
Calatagan, Batangas
November 25, 2017

At the core of a successful Corporate Social Responsibility Program (CSRP) is the driving force which ensures its implementation. At Chelsea Logistics Holdings Corp. (CLC), its employees are the main driving force for its planned CSRP. Building on last year's productive CSRP activities, CLC continued to undertake sustainable and diversified programs which generated direct benefit to the communities it operates in as well as to the country as a whole.

CLC through its subsidiary, Chelsea Shipping Corp. (CSC), continued with its reforestation activity in Barangay Alas-as, San Nicolas, Batangas. On its fourth year of partnership with the Municipality of San Nicolas, on June 17, 2017, CSC employees planted an additional 700 multi-variety trees on the slopes of Taal Volcano. Among the variety of trees planted by CSC Team that now contribute to the ecosystem of this island-volcano are: Apitong, Yakal, Mahogany, Ipil-ipil, Caballero, Balete, Neem, Acacia, and Granada.

In line with its belief in promoting education in the country's youth and recognizing that a conducive learning environment is crucial to education, CLC partnered with Taguig Elementary School for the repainting of the facade and hallways of the School building used by Grades 1 and 2 pupils. CLC was joined in this endeavour by the School faculty as well as pupils' families, which ensured this project's success. The school was recently renamed

Re-Painting of 14 CL Building
Taguig Integrated School
October 14, 2017

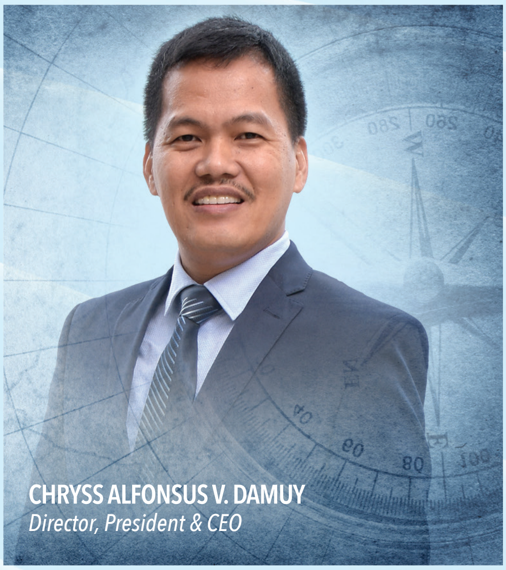
"Taguig Integrated School" in compliance with the K1 to 12 Curriculum of the Department of Education, which means that it will be expanding its physical campus with the construction of new buildings. CLC will continue to assist the School in its requirements as part of its Adopt-A-School Program.

CLC acknowledges its accountability for responsible utilization of our country's marine resources. For this reason, one of the Company's environmental CSR Programs is focused on the restoration and protection of coastal communities through mangrove tree-planting, rehabilitation and protection programs. On November 27, 2017, CLC employees planted 800 mangrove trees along the coast of Barangay Talisay in Calatagan, Batangas. At the same time, CLC also conducted the clean-up of this coastal area in order to provide a better chance for the newly-planted mangrove propagules to flourish.

As daunting as these tasks may have been at first glance, the dedicated and enthusiastic CLC employees made all these activities come to fruition. With great teamwork and a focused CSRP goal, CLC will continue with its community-building and environmental protection activities as its way of giving back to the country and to Mother Earth, for all the blessings the Company continues to receive.

BOARD OF DIRECTORS

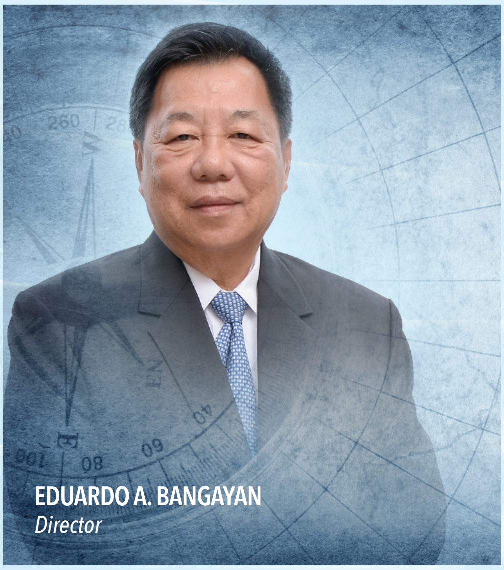
DENNIS A. UY
Chairman

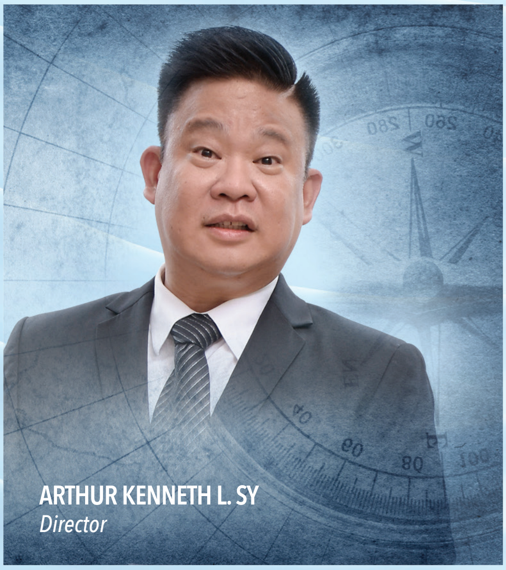


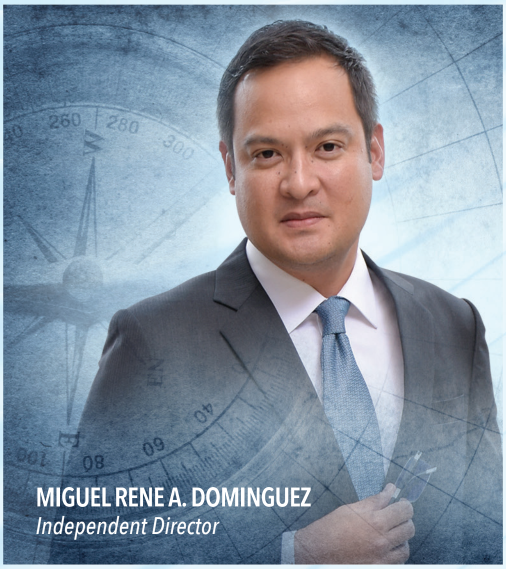
CHRYSS ALFONSUS V. DAMUY
Director, President & CEO

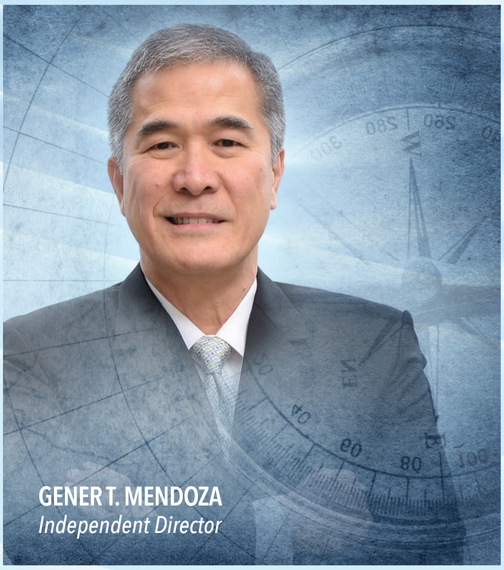
CHERYLYN C. UY
Director, Treasurer


EFREN E. UY
Director


EDUARDO A. BANGAYAN
Director


ARTHUR KENNETH L. SY
Director


MIGUEL RENE A. DOMINGUEZ
Independent Director


GENER T. MENDOZA
Independent Director


JESUS S. GUEVARA II
Independent Director

BOARD OF DIRECTORS PROFILE

DENNIS A. UY

Chairman

Dennis A. Uy, Filipino, 44 years old, is the founder and the Chairman of Chelsea Logistics Holdings Corp. since its incorporation. He served as President and CEO of CLC from incorporation until March 27, 2017. He is the Chairman and President of Phoenix Petroleum Holdings, Inc., the holding company of Phoenix Petroleum Philippines, Inc. (PPPI), and Udenna Corporation, the ultimate parent company of PPPI and CLC. He is also the President and CEO of Udenna Management & Resources Corp. (UMRC) and its subsidiaries. Among the subsidiaries of UMRC are Global Synergy Trade & Distribution Corporation, PNX-UDENNA Insurance Brokers, Inc. ValueLeases, Inc., Udenna Capital, Inc., Udenna Environmental Services, Inc. and Udenna Energy Corporation. Mr. Uy is also Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Mr. Uy has served as the Honorary Consul of Kazakhstan to the Philippines since November 2011. He has a degree in Business Management from De La Salle University.

CHRYSS ALFONSUS V. DAMUY

Director, President & CEO

Chyrss Alfonsus V. Damuy, Filipino, 44 years old, is a Director of CLC since its incorporation and appointed President and CEO of the Company on March 27, 2017. He is the Chief Operating Officer of Chelsea Shipping Corp. and its subsidiaries, PNX-Chelsea Shipping Corp., Fortis Tugs Corporation, Michael, Inc., Bunkers Manila, Incorporated, Chelsea Ship Management & Marine Services Corp., and Chelsea Marine Manpower Resources, Inc. Mr. Damuy is currently the Vice Chairman of Trans-Asia Shipping Lines, Incorporated and its subsidiaries Oceanstar Shipping Corporation, Starsy Shoppe, Inc., Dynamic Cuisine, Inc. and Quality Metals & Shipworks, Inc. Prior to joining CLC, he was Vice President for Finance of Phoenix Petroleum Philippines, Inc. Before that, 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. He is a Certified Public Accountant and has a degree in Bachelor of Science in Accountancy.

CHERYLYN C. UY

Director, Treasurer

Cherylyn C. Uy, Filipino, 38 years old, is a Director and Treasurer of CLC since February 10, 2017. She also serves as the Treasurer of Chelsea Shipping Corp. and its subsidiaries. She is likewise a Director of Phoenix Petroleum Philippines, Inc. and the Corporate Treasurer of the Udenna Group of Companies and F2 Logistics, Inc. Ms. Uy is a graduate of Ateneo de Davao University with a degree in Business Finance.

ARTHUR KENNETH L. SY

Director

Arthur Kenneth L. Sy, Filipino, 50 years old, is a Director of CLC since March 27, 2017. He serves as President and CEO of Trans-Asia Shipping Lines, Incorporated, and 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. He holds degrees in the fields of business and engineering namely, 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

Director

Efren E. Uy, Filipino, 56 years old, is a Director of CLC since March 27, 2017. Mr. Uy currently serves as the President and Chief Executive Officer of F2 Logistics Philippines, Inc., F2 Global Logistics, Inc., Agri Farmers, Inc., F8 Prime Transport Services, Inc., Ultimate Yellow Transport Services, Inc., Fmoves Transport Corp. and Miren Holdings, Inc. He has a degree in Bachelor of Science in Mechanical Engineering from University of San Carlos.

EDUARDO A. BANGAYAN

Director

Eduardo A. Bangayan, Filipino, 66 years old, is a Director of CLC since March 27, 2017. He is currently the President of Summit World Group of Companies, a Director for Fuji Oil Philippines and an Independent Director for Manila Mining Corporation. He is also the Vice President of the New Leyte Edible Oil Manufacturing Corporation. From 2004 until 2008, he served as Trustee of the Local Water Utilities Association. Mr. Bangayan served as a Director of the Davao City Water District since 2002 prior to his appointment as Chairman in January 2017 with a term until 2023. Further, he serves as an Independent Director of Rural Bank of Tagum from 2015 until present. He has a degree in Bachelor of Science in Business Administration from Silliman University.

MIGUEL RENE A. DOMINGUEZ

Independent Director

Miguel Rene A. Dominguez, Filipino, 41 years old, is an Independent Director of CLC since March 27, 2017. He 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 Order 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 (3) 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 has a degree in AB Economics from Boston College in the US.

JESUS S. GUEVARA II

Independent Director

Jesus S. Guevara II, Filipino, 63 years old, is an Independent Director of CLC since March 27, 2017. Mr. Guevara is currently the Chairman of the Board of Phividec Industrial Authority and 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 eighteen (18) years. In the last five (5) years, he has served as Director for DBP Service Corporation, DBP Management Corporation, LGU Guarantee Corporation and DBP Insurance Brokerage, Inc. He has a degree in Bachelor of Arts in Economics from University of the Philippines and Master's Degree in Industrial Relations.

GENER T. MENDOZA

Independent Director

Gener T. Mendoza, Filipino, 60 years old, is an Independent Director of CLC since March 27, 2017. Mr. Mendoza is currently the President of GNCA Holdings, Inc. Apart from his assignment in GNCA, he serves as court-appointed rehabilitation receiver or liquidator for the following companies: Ensogo, Inc., Universal Rightfield Property Holdings, Inc., Pacific Activated Carbon Company, Inc., and Premium Agro-Vet Products, Inc. He also assists the liquidator of National Steel Corporation and Advent Capital Corporation. Previously, he was a Principal Partner 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 has a degree in Bachelor of Science in Management Engineering from Ateneo de Manila University and Master's Degree in Business Administration from Harvard Business School.

MANAGEMENT TEAM

DENNIS A. UY
Chairman

CHRYSS ALFONSUS V. DAMUY
President & CEO

IRWIN M. MONTANO
Vice President
– Human Resources

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

CHERYLYN C. UY
Treasurer

IGNACIA S. BRAGA IV
Vice President - Finance

LEANDRO E. ABARQUEZ
Chief Compliance Officer

RODEL V. MARQUESES
Finance Controller

CORPORATE GOVERNANCE

Chelsea Logistics Holdings 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 this report 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 Dennis A. Uy 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 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 review 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 conduct 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 ensure that these are reviewed and updated regularly, and consistently implemented in form and substance;
- Propose and plan 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.

<u>Board Risk Oversight Committee</u>

The Board Risk Oversight Committee (BROC) 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,

CORPORATE GOVERNANCE

(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 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 (RPTs) 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 Company 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.

Attendance of the Board

For the period 22 March 2017 to 31 December 2017, there were five (5) Board Meetings and two (2) Stockholders' Meetings held. The attendance at these meetings are as follows:

Directors' Name	Total No. of Board Meetings	No. of Board Meetings Attended	Percentage of Attendance (%)	Attended Annual Stockholders' Meeting? (Y/N)
Dennis A. Uy	5	5	100%	Y
Chryss Alfonsus V. Damuy	5	5	100%	Y
Cherylyn C. Uy	5	4	80%	Y
Arthur Kenneth L. Sy	5	5	100%	Y
Efren E. Uy	5	5	100%	Y
Eduardo A. Bangayan	5	5	100%	Y
Miguel Rene A. Dominguez	5	5	100%	Y
Jesus S. Guevara II	5	5	100%	Y
Gener T. Mendoza	5	5	100%	Y

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Chelsea Logistics Holdings Corp. and subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the periods ended December 31, 2017 and 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.

DENNIS A. UY
Chairman of the Board
TIN 170-020-135

CHRYSS ALFONSUS V. DAMUY
President and Chief Executive Officer
TIN 913-898-959

IGNACIA S. BRAGA IV
Vice President – Finance /
Chief Finance Officer
TIN 108-038-078

EB 21 2018

SUBSCRIBED AND SWORN to before me this ___ day of February 2018 at Taguig City, affiants exhibited to me their respective TIN.

ATTY. JOWELL A. MENDOZA
NOTARY PUBLIC FOR TAGUIG CITY
UNTIL DEC. 31, 2018
APPT. NO. 20 (2016-2018)
[illegible], PASIG CITY
JANUARY 3, 2018
IBP No. [illegible], 1/6/2017
ROLL NO. [illegible]
MCLE COMPLIANCE NO. V-0023127-7/23/16
32ND ST. CAR PLAZA BONIFACIO
GLOBAL, TAGUIG CITY

Doc. No. 299
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Book No. 100
Series of 2018.

REPORT OF INDEPENDENT AUDITORS

P&A
Grant Thornton
An instinct for growth™

Report of Independent Auditors

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 988 2288

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

Opinion

We have audited the consolidated financial statements of Chelsea Logistics Holdings Corp. and subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2017 and the period August 26, 2016 to December 31, 2016, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and their consolidated financial performance and their consolidated cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards,(PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Chelsea Logistics Holdings Corp. and its subsidiaries as enumerated in Note 1 to the consolidated financial statements, after elimination of intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves layers of consolidation, identification and elimination of intercompany transactions to properly reflect realization of profits.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Among others, our audit procedures to address the risk associated with the Group's consolidation process are as follows:

- Obtaining an understanding of the Group structure and consolidation process, including the procedures for identifying intercompany transactions and reconciling intercompany balances; and,

- Testing significant consolidation adjustments, which include elimination of intercompany balances, revenues, expenses and investments and recognition of equity transactions, by identifying such intercompany transactions and balances among the entities or business activities within the Group.

(b) Revenue Recognition

Description of the Matter

The Group's revenues from rendering of services consist of freight revenues, charter fees, passage fees and tugboat fees representing 93% of the total revenues of the Group. In our view, revenue recognition is significant to our audit because the amount is significant and it involves voluminous transactions at any given period of time, requires proper observation of cut-off procedures and directly impacts the Group's profitability.

The Group's disclosure on its revenue recognition policy is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Updating our understanding of the Group's revenue recognition policy, revenue processes and controls over the recognition and measurement of revenues from rendering services;

- Testing charter agreements, billing invoices, vessel fixture notes, bills of lading and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether revenue transaction is valid and actually occurred;

- Confirming trade receivables, on a sample basis, as of the end of the reporting period from rendering of services; and, performing alternative procedures such as, but not limited to, examining cash receipts, or billing invoices and vessel fixture notes.

- Testing billing invoices and vessel fixture notes immediately prior and subsequent to the current period to determine whether the related revenue transactions are recognized in the proper reporting period; and,

- Performing substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per vessel and per customer and sales mix composition and following up variances from our expectations, and verifying test the underlying data used in the analyses are valid.

(c) *Business Combination*

Description of the Matter

As disclosed in Note 25, in 2017, the Group completed the acquisitions of Udenna Investments B.V., (UIBV), Worklink Services, Inc. (WSI) and Starlite Ferries, Inc. (SFI) for P6,048.0 million, P600.0 million and P1,677.8 million, respectively. The Group has determined these acquisitions to be business combinations for which the purchase price is to be allocated between the identifiable assets and liabilities at their respective fair values.

Following the various acquisitions, the management has determined Goodwill amounting to P3,917.4 million, P478.5 million and P1,167.7 million, respectively. We, therefore, considered the accounting treatment of the acquisition of these subsidiaries in the consolidated financial statements as a key audit matter due to the significance of the goodwill and due to the nature of transactions which involves significant management's judgments and estimates, especially on the valuation of the fair value of net assets acquired as of the acquisition date.

The Group's disclosure on policies on business combinations is presented in Note 2.13 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- reviewing the relevant minutes of meeting of the Parent Company for the approval of the transaction and executed share purchase agreement;
- examining the cash consideration given and verifying the net assets acquired as of the acquisition date;
- obtaining the valuations prepared by independent appraisers on certain properties;
- assessing the competencies and capabilities of the appraisers;
- testing the reasonableness of the fair values of the identifiable assets and liabilities of the acquired entities at the acquisition date; and,
- recalculating the consideration, goodwill and determining the appropriate treatment of the difference between the net assets acquired and considerations given.

(d) Impairment of Goodwill

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets*, the Group is required to annually test the amount of its goodwill for impairment. As of December 31, 2017, goodwill amounted to P5.6 billion. We considered the impairment of goodwill as a key audit matter because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process is highly judgmental, and is based on significant assumptions, specifically the determination of the discount rate and cash flow projections used in determining the cash generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill is more fully described in Note 2 to the consolidated financial statements while their corresponding carrying amounts are presented in Note 25 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to goodwill included, among others, the following:

- Evaluating the reasonableness of the assumptions and methodology used in determining the cash-generating units attributable to the goodwill, which include the discount rate and the cash flow projections by comparing them to external and historical data; and, performing sensitivity analysis of the projections and discount rate to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash-generating units to exceed the recoverable amount; and,

- Comparing the net present value of excess earnings attributable to the cash-generating units over which the goodwill was allocated.

(e) Fair Value of Vessels under Property and Equipment

Description of the Matter

The carrying amount of the Group's vessels under the Property and Equipment account amounted to P10.1 billion. As allowed under PAS 16, *Property, Plant and Equipment*, the Group measures its vessels based on a revalued amount which represent fair market values at the date of the revaluation. Management determined the fair value based on appraisals by independent appraiser every after drydocking of vessels, which is performed once every two years.

The disclosure on fair value of the Group's vessels was significant in our audit as the amount is material to the consolidated financial statements and the determination of fair values includes significant assumptions and estimates.

The methods and assumptions used in determining the fair value of vessels is more fully described in Notes 3 and 29 to the consolidated financial statements while the fair value of vessels as at December 31, 2017 is presented in Note 10.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to valuation of vessels included:

- Determining whether the independent appraisers engaged by the Group has the necessary professional competency, reputation, experience and objectivity;

- Evaluating the results of the work performed by the independent appraisers by understanding the methods and data used in determining the fair value of vessels; and,

- Assessing the appropriateness and reasonableness of assumptions used such as the selection of comparable properties and determination of price adjustments due to size and features.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission Form 17-A, which we obtained prior to the date of the auditors' report, and the Group's SEC Form 20-IS (Definitive Information Statement) and Annual Report, which are expected to be made available to us after that date, for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PFRS, 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 going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's 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 Group's 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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Ramilito L. Nañola.

PUNONGBAYAN & ARAULLO

By: Ramilito L. Nañola
Partner

CPA Reg. No. 0090741
TIN 109-228-427
PTR No. 6616015, January 3, 2018, 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 21, 2018

CHELSEA LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 and 2016
(Amounts in Philppine Pesos)

	Notes	2017	2016
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,441,704,190	P 508,940,431
Trade and other receivables - net	5	876,420,381	944,516,250
Subscription receivable	22	-	350,000,000
Financial assets at fair value through profit or loss	6	3,947,736	11,279,636
Available-for-sale financial assets	9	-	3,065,089
Inventories	7	184,863,983	78,874,626
Advances to related parties	21	2,488,434,793	194,446,078
Other current assets	8	1,926,336,910	542,685,688
Total Current Assets		6,921,707,993	2,633,807,798
NON-CURRENT ASSETS			
Property and equipment - net	10	10,999,596,427	7,818,568,442
Investments in an associate and a joint venture	11	2,268,935,614	45,560,925
Goodwill	25	5,637,918,869	74,294,814
Post-employment benefit asset	18	8,190,054	4,873,519
Deferred tax assets	20	215,516,180	7,300,178
Other non-current assets - net	12	327,749,182	175,499,300
Total Non-current Assets		19,457,906,326	8,126,097,178
TOTAL ASSETS		P 26,379,614,319	P 10,759,904,976

	Notes	2017	2016
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	14	P 1,380,849,406	P 1,358,754,469
Interest-bearing loans	13	3,434,490,978	5,029,479,642
Advances from related parties	21	1,040,772,152	85,759,255
Advances from customers	2	14,521,850	14,484,000
Deposits for future stock subscription	15	180,000,000	50,000,000
Income tax payable		50,809,743	75,923,029
Total Current Liabilities		6,101,444,129	6,614,400,395
NON-CURRENT LIABILITIES			
Interest-bearing loans	13	6,897,669,657	2,343,302,536
Post-employment benefit obligation	18	36,588,880	4,046,544
Deferred tax liabilities - net	20	170,537,584	223,354,572
Other non-current liabilities		15,985,657	14,131,942
Total Non-current Liabilities		7,120,781,778	2,584,835,594
Total Liabilities		13,222,225,907	9,199,235,989
EQUITY			
Capital stock	22	1,821,977,615	500,000,000
Additional paid-in capital	22	9,998,370,157	-
Revaluation reserves	22	1,429,917,004	1,370,998,267
Other reserves	22	(1,058,033,280)	(1,058,033,280)
Retained earnings		965,156,916	747,704,000
Total Equity		13,157,388,412	1,560,668,987
TOTAL LIABILITIES AND EQUITY		P 26,379,614,319	P 10,759,904,976

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017
AND THE PERIOD AUGUST 26 TO DECEMBER 31, 2016
(Amounts in Philppine Pesos)

	Notes	2017	2016
REVENUES			
Freight		P 1,387,445,706	P -
Charter fees	21	1,194,216,186	1,422,433,646
Passage fees		773,491,556	-
Tugboat fees		261,321,170	118,200,515
Rendering of services		243,826,107	-
Sale of goods		25,815,744	3,456,051
Standby charges	21	23,050,935	94,295,146
		3,909,167,404	1,638,385,358
COST OF SALES AND SERVICES	16	2,862,147,364	1,261,203,111
GROSS PROFIT		1,047,020,040	377,182,247
OTHER OPERATING EXPENSES	17	529,672,911	155,452,662
OPERATING INCOME		517,347,129	221,729,585
OTHER INCOME (CHARGES) - Net			
Finance costs	19	(516,979,233)	(260,854,770)
Finance income	19	10,401,760	730,801
Share in net loss of an associate	11	(1,962,214)	-
Gain on bargain purchase	25	-	158,228,158
Other income	6, 9, 19	143,921,531	15,490,554
		(364,618,156)	(86,405,257)
PROFIT BEFORE PRE-ACQUISITION INCOME AND TAX		152,728,973	135,324,328
PRE-ACQUISITION INCOME		105,375,776	-
PROFIT BEFORE TAX		47,353,197	135,324,328
TAX EXPENSE (INCOME)	20	(113,866,526)	3,644,520
NET PROFIT		P 161,219,723	P 131,679,808
Earnings Per Share (Basic and Diluted)	23	P 0.12	P 0.26

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
AND THE PERIOD AUGUST 26 TO DECEMBER 31, 2016
(Amounts in Philppine Pesos)

	Notes	2017	2016
NET PROFIT		P 161,219,723	P 131,679,808
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Share in the revaluation of vessels of an associate	11	108,049,607	-
Revaluation of vessels	10	67,317,920	801,886,530
Tax expense	20	(3,549,887)	(23,690,669)
Remeasurement of post-employment benefit obligation	18	(1,317,864)	(47,994)
Tax expense	20	395,360	-
Currency exchange differences on translating financial statements of foreign operations	22	(223,517)	-
		170,671,619	778,147,867
Items that will be reclassified subsequently to profit or loss:			
Fair value gain on disposed available-for-sale financial assets reclassified to profit or loss	9	(49,607)	-
Tax expense	20	14,882	-
		(34,725)	-
Other Comprehensive Income - net of tax		170,636,894	778,147,867
TOTAL COMPREHENSIVE INCOME BEFORE PRE-ACQUISITION OTHER COMPREHENSIVE INCOME		331,856,617	909,827,675
PRE-ACQUISITION OTHER COMPREHENSIVE INCOME	10	55,484,964	-
TOTAL COMPREHENSIVE INCOME		P 276,371,653	P 909,827,675

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES
(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
AND THE PERIOD AUGUST 26 TO DECEMBER 31, 2016
(Amounts in Philppine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total
Balance at January 1, 2017	22	P 500,000,000	-	P 1,370,998,267	(P 1,058,033,280)	P 747,704,000	P 1,560,668,987
Issuance of shares during the period	11, 22	1,321,977,615	9,998,370,157	-	-	-	11,320,347,772
Total comprehensive income for the period		-	-	115,151,930	-	161,219,723	276,371,653
Transfer of revaluation reserves through depreciation, net of tax	22	-	-	(56,233,193)	-	56,233,193	-
Balance at December 31, 2017		P 1,821,977,615	P 9,998,370,157	P 1,429,917,004	(P 1,058,033,280)	P 965,156,916	P 13,157,388,412
Balance at August 26, 2016		P 1,000,000,000	P -	P 582,411,766	P -	P 561,933,606	P 2,144,345,372
Subscription of shares during the period	22	500,000,000	-	-	-	-	500,000,000
Effect of business combination		(1,000,000,000)	-	-	(1,058,033,280)	-	(2,058,033,280)
Total comprehensive income for the period		-	-	778,147,867	-	131,679,808	909,827,675
Transfer of revaluation reserves through depreciation, net of tax		-	-	(54,090,586)	-	54,090,586	-
Other comprehensive income from acquired subsidiaries	22	-	-	64,529,220	-	-	64,529,220
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

See Notes to Consolidated Financial Statements.

CHELSEA LOGISTICS HOLDINGS CORP. AND SUBSIDIARIES

(Formerly Chelsea Logistics Corp.)
(A Subsidiary of Udenna Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017
AND THE PERIOD AUGUST 26 TO DECEMBER 31, 2016
(Amounts in Philppine Pesos)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 47,353,197	P 135,324,328
Adjustments for:			
Depreciation and amortization	10, 12	744,566,055	457,719,091
Interest expense	19	507,987,399	163,588,166
Unrealized foreign currency gain - net	19	(5,526,564)	75,771,709
Interest income	19	(4,875,196)	(393,954)
Share in net loss of an associate	11	1,962,214	-
Gain on sale of available-for-sale (AFS) financial assets	9	(743,911)	-
Gain on sale of property and equipment	10	(376,008)	-
Gain on sale of financial assets at fair value through profit or loss (FVTPL)	6	(87,784)	-
Fair value gain on disposed AFS reclassified to profit or loss	9	(49,607)	-
Gain on bargain purchase	25	-	(158,228,158)
Operating profit before working capital changes		1,290,209,795	673,781,182
Decrease (increase) in trade and other receivables		976,280,103	(248,985,365)
Increase in inventories		(105,989,357)	-
Increase in advances to related parties		(2,293,988,715)	(353,995,562)
Increase in other current assets		(1,388,176,902)	(374,611,539)
Increase in post-employment benefit asset		(1,998,671)	-
Decrease (increase) in other non-current assets		(22,040,864)	3,253,168
Decrease in trade and other payables		(538,458,658)	(278,550,987)
Increase in advances from customers		37,850	9,375,509
Increase in post-employment benefit obligation		5,216,732	-
Increase (decrease) in other non-current liabilities		1,853,715	(2,465,686)
Cash used in operations		(2,077,054,972)	(572,199,280)
Interest received		4,875,196	393,954
Cash paid for income taxes		(76,686,630)	(498,135)
Net Cash Used in Operating Activities		(2,148,866,406)	(572,303,461)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of subsidiaries and addition to interest in a joint venture	11	(2,290,863,390)	(1,834,117,990)
Acquisitions of property and equipment	10	(1,351,743,010)	(1,116,845,333)
Additions to drydocking costs	12	(325,647,628)	(34,463,540)
Proceeds from disposal of financial assets at FVTPL	6	7,419,684	-
Proceeds from disposal of property and equipment	10	7,175,264	-
Proceeds from disposal of AFS financial assets	9	3,809,000	-
Net Cash Used in Investing Activities		(3,949,850,080)	(2,985,426,863)
Balance carried forward		(P 6,098,716,486)	(P 3,557,730,324)

	Notes	2017	2016
Balance brought forward		(P 6,098,716,486)	(P 3,557,730,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of shares of stock	22	5,272,347,772	150,000,000
Proceeds from interest-bearing loans	13	2,588,916,550	5,217,206,036
Repayments of interest-bearing loans	13	(2,151,099,154)	(1,052,466,589)
Proceeds from advances from related parties	21	1,438,012,897	-
Repayments of advances from related parties	21	(533,000,000)	(290,681,863)
Collection of subscription receivable	22	350,000,000	-
Interest paid	19	(320,911,526)	(158,961,980)
Additional deposits for future stocks subsciptions	15	180,000,000	-
Net Cash From Financing Activities		6,824,266,539	3,865,095,604
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		27,270,309	4,786,753
NET INCREASE IN CASH AND CASH EQUIVALENTS		752,820,362	312,152,033
CASH AND CASH EQUIVALENTS FROM ACQUIRED SUBSIDIARIES		179,943,397	165,961,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		508,940,431	30,827,174
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 1,441,704,190	P 508,940,431

Supplemental Information for Non-cash Investing and Financing Activities:

In 2017, the Company acquired UIBV from Udenna Corporation (Udenna) through share-for-share swap, where the Company issued 775,384,615 common shares in favor of Udenna, in exchange for shares of UIBV (see Note 11).

In 2017, the Group acquired certain transportation equipment through obtaining mortgage loans from a local bank totaling P40.7 million (see Notes 10 and 13).

The Group recognized revaluation increment, gross of tax, amounting to P11.8 million in 2017 (see Notes 10 and 22).

In 2016, 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 2016 consolidated statement of financial position. Such receivable was subsequently collected in 2017 (see Note 22).

See Notes to Consolidated Financial Statements.

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

This discussion summarizes the significant factors affecting the consolidated operating results and financial condition of Chelsea Logistics Holdings Corp. and its Subsidiaries as of and for the year ended December 31, 2017. The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Company as of December 31, 2017 and 2016, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the two periods ended December 31, 2017.

Revenues

The Company generated total revenues of ₱3,909.2 million for the year ended December 31, 2017 which was more than double the 2016 revenues of ₱1,638.4. The increase was primarily due to the Company's acquisitions which resulted to additional freight revenues of ₱1,387.4 million, passage revenues of ₱773.5 million and revenues from logistics services of ₱243.8 million.

The decrease in charter fees and standby charges by ₱299.5 million or approximately 20% during 2017 was primarily due to the change in charter agreements involving M/T Great Diamond (formerly Chelsea Thelma) and M/T Great Princess (formerly Chelsea Donatela), which are the two largest vessels registered in the Philippines. The two vessels are the subject of a Bareboat Agreement entered into by the Company with a Vietnam-based petroleum company effective November 2016 and March 2017, respectively. Of the four-types of charter agreements, the bareboat charter yields the least revenue since all costs related to the operation of the vessel are being shouldered by the charterer instead of the ship owner on a cost-plus basis. In 2016, both M/T Great Diamond and M/T Great Princess were under the voyage charter type of agreement wherein all costs were shouldered by the ship owners, hence, revenue was largest as the costs were also high. The bareboat agreement entered into by the Company is for a period of five years, renewable for another five years. In addition, the drydocking of MT Chelsea Cherylyn and MT Chelsea Denise II, which has a total capacity of 10.3 million liters at any given time also contributed to the decline in tinkering revenues.

Tugboat fees also improved by more than 100% for the year ended December 31, 2017 with the Company reporting a total of ₱261.3 million for 2017 as compared to only ₱118.2 million. The improvement in tugboat fees arose from the acquisition of Davao Gulf Marine Services, Inc., which contributed total revenues of ₱121.0 million. In addition, the increased port calls in Calaca Seaport (formerly Phoenix Petroterminals & Industrial Park) also contributed to the increase in tugboat fees.

Costs and Expenses

The Group recognized costs of sales and services of ₱2,862.1 million for the year 2017 as compared to ₱1,261.2 million in 2016 as a result of acquisitions of Trans-Asia, SFI and WSI which increased cost of sales and services by ₱942.9 million, ₱626.4 million and ₱125.5 million, respectively. In addition, the increase in bunkering costs as a result of higher prices of fuel in the global market also contributed to increased cost of sales and services.

General and administrative expenses jumped to ₱526.8 million in 2017 from ₱155.5 million in 2016, which was primarily due to increased number of administrative and support personnel resulting in higher salaries and employee benefits, taxes and licenses, professional fees and depreciation and amortization which are directly related to the continued expansion of the Company.

Net Profit

The Group's net profit for the year ended December 31, 2017 amounted to ₱161.2 million as compared to ₱131.7 million in 2016, which included a one-time gain on bargain purchase amounting to ₱158.2 million. This gain is equivalent to the excess of the fair value of Trans-Asia's net assets acquired over the Company's total acquisition price.

Operating income increased by 133% from ₱221.7 million to ₱517.3 million. Meanwhile, the Company's EBITDA improved by 81% from ₱756.2 million to ₱1,368.5 million.

Finance costs increased significantly due to increased interests from loans related to the acquisition of MT Chelsea Charlize, MT Chelsea Endurance, MT Chelsea Dominance and MV Trans-Asia 12 as well as from the CBC loan and CTBC loan obtained to fund the acquisition of CSC and Trans-Asia Shipping. In addition, foreign exchange losses arising from the translation of U.S. dollar-denominated loans also contributed to the increase in finance costs.

Financial Condition

(December 31, 2017 vs. December 31, 2016)

The Company reached a significant milestone in 2017 raising approximately P5.8 billion through the initial listing of its share in the Philippine Stock Exchange. This paved the way for the Company to acquire shipping and logistics companies, implement fleet expansion and increase its market share in the shipping and logistics industry. Hence, total resources of the Group grew to ₱26,379.6 million as of December 31, 2017 from ₱10,759.9 million as of December 31, 2016.

Cash and cash equivalents surged by 183% from ₱508.9 million as of December 31, 2016 to ₱1,441.7 million as of December 31, 2017 as a result of the Company's initial public offering in August 2017.

Trade and other receivables decreased by 7% from ₱944.5 million as of December 31, 2016 to ₱876.4 million as of December 31, 2017 as a result of collections related to the Group's tankers and freight segments.

The decline in subscriptions receivables was due to collections from the parent company.

Increase in inventories of approximately ₱106.0 million was due to acquisition of spare parts inventories and other consumables in preparation for drydocking of certain vessels. Spare parts inventories rose from ₱36.2 million as of December 31, 2016 to ₱87.6 million as of December 31, 2017 while shipping supplies skyrocketed to ₱39.8 million from only ₱1.1 million as of the end of the previous year.

Advances to related parties increased significantly from ₱194.4 million as of December 31, 2016 to ₱2,488.4 million as of December 31, 2017 as a result of advances granted to related parties for working capital requirements and other purposes. These advances are unsecured, non-interest-bearing and are generally settled in cash or through offsetting arrangements with the related parties.

The increase in Other Current Assets from ₱542.7 million as of December 31, 2016 to ₱1,926.3 million as of December 31, 2017 was primarily the result of down payments made by the Company in relation to the planned acquisition of additional vessels.

Property and equipment rose to ₱10,999.6 million as of the end of current year from ₱7,818.6 million as of December 31, 2016 as a result of the acquisition of Starlite Ferrries, Inc. (SFI), which owns 14 vessels, including five (5) that are less than two years of age.

The increase in Investments in an associate and a joint venture from ₱45.6 million as of December 31, 2016 to ₱2,268.9 million as of December 31, 2017 was due to the acquisition of the all outstanding shares of Udenna Investments B.V. (UIBV), which holds 79.99% economic interest in KGLI-NM, which in turn owns 39.85% economic interest in Negros Navigation Co., Inc. (Nenaco), the parent company of 2Go Group, Inc. The acquisition was made through issuance of the Company's shares. This account also includes the Company's share in the revaluation of the associate's vessels amounting to ₱108.0 million.

Increase in goodwill was the result of the acquisition of UIBV, SFI and Worklink Services, Inc. (WSI). Goodwill, which represents the excess of the acquisition cost over the fair value of the net assets acquired, amounted to ₱3,917.4 million, ₱1,167.7 million and ₱478.5 million related to the acquisition of UIBV, SFI and WSI, respectively.

The increase of ₱208.2 million in deferred tax assets can be attributed to the tax effect of net operating losses incurred by the Company and certain subsidiaries within the Group.

The increase in Other Non-Current Assets from ₱175.5 million as of December 31, 2016 to₱327.7 million as of December 31, 2017 was primarily due to costs related to the drydocking of certain vessels during the year. The additions to drydocking were partially offset by amortization of drydocking during the year ended December 31, 2017.

Trade and other payables slightly increased by ₱22.1 million from ₱1,358.8 million as of December 31, 2016 to ₱1,380.8 million as of December 31, 2017. The increase in trade and other payables was primarily due to timing of payment of trade payables.

Interest-bearing loans significantly increased by 40% from ₱7,372.8 million as of December 31, 2016 to ₱10,332.2 million as of December 31, 2017 primarily as a result of the consolidation of SFI, which obtained financing from Development Bank of the Philippines and Philippine Business Bank to acquire brand new vessels in 2016 and 2017.

The increase in advances from related parties was due to unsecured, non-interest-bearing cash advances from entities under common ownership.

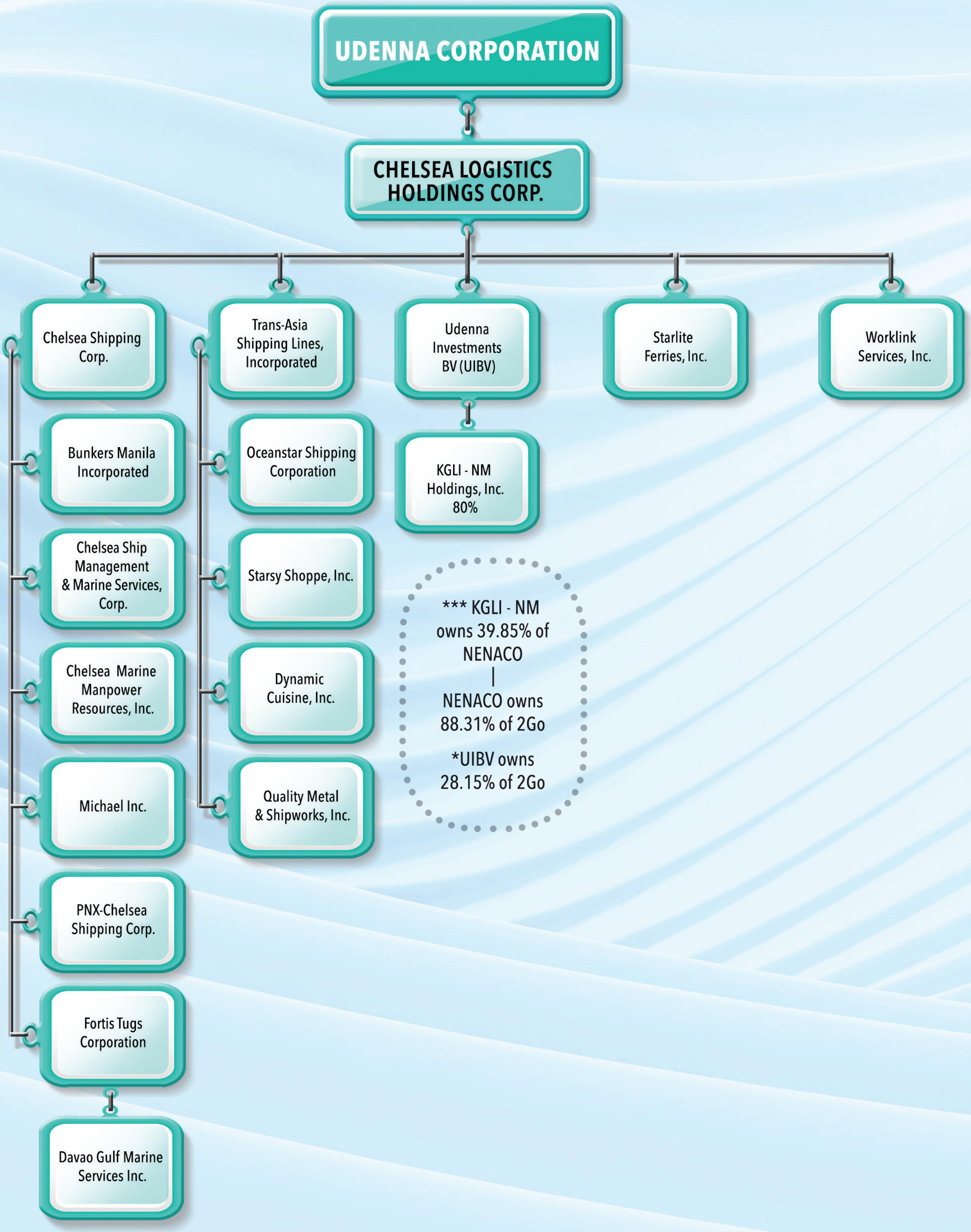
Deposits for future stock subscription increased by ₱130.0 million as a result of the subscription of preferred shares in Trans-Asia by its former owners. As of December 31, 2017, all of Trans-Asia's authorized capital stock has been fully issued and outstanding and an application for increase has not been filed and, as such, these deposits are presented as part of the Liabilities section of the statements of financial position.

The decline in income tax payable was primarily due to lower taxes due as some of the Company's subsidiaries reported net operating losses for the current year.

The increase in capital stock and additional paid-in capital was brought about by the issuance of the Company's shares of stock to Udenna Corporation in exchange for the latter's ownership in UIBV. CLC's share was valued at ₱7.80 per share. In addition, the Company also issued 546,593,000 new shares on its initial public offering on August 8, 2017 with an issue price of ₱10.68 per share.

Retained earnings significantly increased by ₱217.5 million primarily due to the results of the Company's financial performance for the year ended December 31, 2017.

CHELSEA LOGISTICS HOLDINGS CORP. GROUP MAP



OUR FLEET

CHELSEA

M/T Chelsea Charlize

M/T Chelsea Endurance

M/T Chelsea Dominance

M/T Chelsea Donatela

MV Trans-Asia 12

TRANS-ASIA

MV Trans-Asia 5

STARLITE

MV Starlite Pioneer

MV Starlite Saturn

MV San Rafael Dos

2GO

MV St. Leo The Great

MV San Lorenzo Ruiz Uno

2GO

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TO DESTINATIONS EVERYWHERE

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