This Preliminary Prospectus and the information contained herein are subject to completion or amendment without notice. The Rights Shares may not be sold nor may an offer to buy be accepted prior to the time that the Preliminary Prospectus is issued in final form. Under no circumstances shall this Preliminary Prospectus constitute an offer to sell or the solicitation of an offer to buy any Rights Shares nor shall there be any offer, solicitation or sale of the Rights Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Chelsea Logistics Holdings Corp.
(incorporated in the Republic of the Philippines)

Offer of [3,000,000]Non-voting, Non-convertible,
Non-participating, Redeemable Cumulative, Non-Participating
Preferred Shares

With an Oversubscription Option of up to 2,000,000 Preferred Shares

to be listed and traded on the Main Board of

The Philippine Stock Exchange, Inc.

Offer Price: ₱[1,000.00] per share

Sole Issue Manager and Bookrunner

China Bank Capital Corporation

Participating Underwriter

-

Selling Agents

-
-
-
-

The Trading Participants of the Philippine Stock Exchange

The dateof this Preliminary Prospectusis

November 14,2018

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

CHELSEA LOGISTICS HOLDINGS CORP.[1]
Stella Hizon Reyes Road, Bo. Pampanga
Davao City 8000, Philippines
Telephone Number: +63 82 224 5373
Corporate Website: http://www.chelsealogistics.ph/

This Preliminary Prospectus relates to the offer and sale of up to five million (5,000,000) Preferred Shares (the "**Preferred Shares**"), with a par value of ₱1.00 per share, of Chelsea Logistics Holdings Corp., a corporation organized under Philippine laws ("**we**", "**us**", "**our**", "**CLC**" or the "**Company**") with an authorized capital stock of Two Billion Pesos (₱2,000,000,000.00) divided into one billion nine hundred ninety million (1,990,000,000) Common Shares and ten million (10,000,000) Preferred Shares. NoOfferShares have been subscribed norpaid-up. Three million(3,000,000) new Preferred Shares will be issued and offered by us by way of a primary offer ("**Firm Offer Shares**"), and in the event of an oversubscription, the Sole Issue Manager and Bookrunner, with the consent of the Company, reserve the right to increase the size of the offer by up to 2,000,000 Preferred Shares (the "**OversubscriptionOption**"), and the Preferred Shares pertaining to such option, (the "**Oversubscription Option Shares**"), for an aggregate issue size of up to 5,000,000 Preferred Shares (this offer, the "**Offer**" and the Firm Offer Shares and the Oversubscription Option Shares collectively, the "**Offer Shares**"). In case the Oversubscription Option is exercised in part only or not exercised at all during the Offer Period (as defined below), the Oversubscription Option Shares that will not be taken up or exercised during the Offer Period will remain unsubscribed. No secondary shares shall form part of the offer. CLC, being a holding company using the operating track record of its subsidiaries, is prohibited from offering secondary shares for the Offer. A total of five million (5,000,000) Preferred Shares will be outstanding after the Offer. The Offer Shares represent 50% of the outstanding Preferred Shares after the Offer.

The Offer Shares shall be offered at a price of ₱1,000.00 per share (the "**Offer Price**"). The determination of the Offer Price is described on page 48of this Preliminary Prospectus.

Assuming full exercise of the Oversubscription Option, the Company expects to raise gross proceeds amounting up to Five Billion Pesos (₱5,000,000,000.00) and the net proceeds are estimated to be at least Four Billion Nine Hundred Thirty Million Eight Hundred Fifty-Seven Thousand Three Hundred SeventyFive Pesos (₱4,930,857,375.00) after deducting fees and expenses payable by the Company. Assuming the Oversubscription Option is not exercised, the Company expects to raise gross proceeds amounting up to Three Billion Pesos (₱3,000,000,000.00) and the net proceeds are estimated to be at least Two Billion Nine Hundred Fifty FourMillion Six Hundred Eighty Two Thousand Three Hundred Seventy-Five Pesos (₱2,954,682,375.00) after deducting fees and expenses payable by the Company. In case the Oversubscription Option is exercised in full, the Company intends to use the net proceeds from the Offer for mergers and acquisitions of shipping and logistics companies, acquisition of land, and development of logistics facilities, acquisition of additional vessels and vessel equipment, container vans, and delivery equipment, and for general corporate purposes. In case the Oversubscription Option is exercised in part only or not exercised at all, the Company intends to use the net proceeds from the Offer to partially finance mergers and acquisitions of shipping and logistics companies. For more detailed discussion on the use of proceeds, see "*Use of Proceeds*" beginning on page 45 of this Preliminary Prospectus.

[1] On 12 November 2018, CLC's Board of Directors approved the change of the corporate name to "Chelsea Logistics and Infrastrucutre Holdings Corp." This change will require at least 2/3 shareholders' approval at the next annual meeting in March 2019 and SECapproval of the amendment of the Articles of Incorporation.

Of the 5,000,000 Offer Shares subject of the Offer, 80% or 4,000,000 Offer Shares are being offered through the Sole Issue Manager and Bookrunner for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to allot 20% or 1,000,000 Offer Shares for distribution to respective clients of the 132 Trading Participants of the PSE, acting as Selling Agents. Each trading participant shall be allocated 7,575 Offer Shares (computed by dividing the Offer Shares allocated to the trading participants by 132), subject to reallocation as may be determined by the Sole Issue Manager and Bookrunner. The balance of 100 shares shall be allocated by the Sole Issue Manager and Bookrunner among the Trading Participants that have demand in excess of 7,575 Offer Shares. Trading Participants may undertake to purchase more than their allocation of 7,575 Offer Shares. Any requests for Offer Shares in excess of the 7,575 Offer Shares may be satisfied via the reallocation of any Offer Shares not taken up by other Trading Participants.

The Company will not allocate any Offer Shares for Local Small Investors as such is only applicable to initial public offerings.

Prior to close of the Offer Period, any Offer Shares not taken up by the Trading Participants shall be distributed by the Sole Issue Manager and Bookrunner directly to their clients and the general public. All Offer Shares that form part of the Offer not taken up by the Trading Participants, general public, and the Sole Issue Manager and Bookrunner's clients shall be purchased by the Sole Issue Manager and Bookrunner pursuant to the terms and conditions of the Underwriting Agreement.

The Sole Issue Managerand Bookrunner will receive a transaction fee from us based on a percentage of the gross proceeds from the sale of the Offer Shares. This is exclusive of the amounts to be paid to the other participating underwriter and selling agents, where applicable. For more detailed discussion on the fees to be received by the Sole Issue Manager and Bookrunner, see "*Plan of Distribution*" beginning on page 156of this Preliminary Prospectus.

The Company filed an application with the SEC on June 26, 2018 to register the Preferred Shares under the provisions of the Securities Regulation Code (Republic Act No. 8799) ("SRC") and its implementing regulations (the "SRC Rules").

The listing of the Offer Shares is subject to the approval of the PSE. An approval for listing is permissive only and does not constitute a recommendation or endorsement by the PSE or the SEC of the Preferred Shares. The PSE assumes no responsibility for the correctness of any of the statements made or opinions expressed in this Preliminary Prospectus. Furthermore, the PSE makes no representation as to the completeness and expressly disclaims any liability whatsoever for any loss arising from, or in reliance upon, the whole or any part of the contents of this Preliminary Prospectus.

Upon listing with the PSE, the Offer Shares will be traded under the symbol ["CLC3A"].

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time, and the right to reject any application to purchase the Offer Shares in whole or in part, and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Sole Issue Manager and Bookrunner may acquire for their own account a portion of the Offer Shares.

The Company's current dividend policy provides that at least 20% of the prior year's recurring net income shall be declared as dividends based on the recommendation of management and the approval of the Board of Directors, subject to the existence of unrestricted retained earnings, CLC's financial condition, as well as requirements of applicable laws and regulations, the terms and conditions of our existing loan facilities, and the absence of circumstances that may restrict the payment of such dividend period, will be declared as dividends.

The date of declaration of cash dividends on the Preferred Shares will be subject to the discretion of the Board of Directors to the extent permitted by law. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders of the Company.

As and if cash dividends are declared by the Board of Directors in accordance with the Enabling Resolutions and as set out in this Preliminary Prospectus, cash dividends on the Preferred Shares shall be at the fixed rate of [•]% per annum, calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (the "Dividend Rate").

Subject to limitations on the payment of cash dividends as described in the section on the "Summary of the Offer", dividends on the Preferred Shares will be payable once for every Dividend Period on such date set by the Board of Directors at the time of declaration of such dividends (each a "Dividend Payment Date"), which date shall be any day within the period commencing on (and including) the last date of a Dividend Period and 15 calendar days from the end of the relevant Dividend Period. A "Dividend Period" shall be the period commencing on the relevant Issue Date, as defined in the section on "Summary of the Offer", and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of, the immediately succeeding Dividend Period; provided that the first Dividend Period of the Preferred Shares shall be the period commencing on the relevant Issue Date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If a Dividend Payment Date occurs after the end of a Dividend Period, there shall be no adjustment as to the amount of dividends to be paid.

The dividends on the Preferred Shares will be calculated on a 30/360-day basis.

If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

The Board of Directors will not declare and pay cash dividends on any Dividend Payment Date where (a) payment of the cash dividend would cause the Company to breach any of its financial covenants or (b) the profits available to the Company to distribute as cash dividends are not sufficient to enable the Company to pay in full both the cash dividends on the Preferred Shares and the dividends on all other classes of the shares of the Company that are scheduled to be paid on or before the same date as the cash dividends on the Preferred Shares and that have an equal right to dividends as the Preferred Shares.

Upon listing of the Offer Shares on the PSE, the Company may purchase the Offer Shares which are then currently tradable at any time in the open market or by public tender or by private contract at any price through the PSE without any obligation to purchase or redeem the other outstanding Preferred shares of the Company.

No dealer, salesman or any other person has been authorized to give any information or to make any representation not contained in this Preliminary Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Sole Issue Manager and Bookrunner that may be engaged by the Company for the Offer.

The distribution of this Preliminary Prospectus and the offer and sale of the Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and the Sole Issue Manager and Bookrunner require persons into whose possession this Preliminary Prospectus comes, to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. This Preliminary Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction.

Unless otherwise stated, the information contained in this Preliminary Prospectus has been supplied by the Company. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Preliminary Prospectus is correct, and that there is no material misstatement or omission of fact which would make any statement in this Preliminary Prospectus misleading in any material respect.

The Company and the Sole Issue Manager and Bookrunner confirm that they have exercised the required due diligence in ascertaining that all material information in this Preliminary Prospectus, including its amendments and supplements, if any, is true and correct, and that no material information was omitted, which was necessary in order to make the statements contained herein not misleading. The Company, its directors and officers, and the Sole Issue Manager and Bookrunner accept responsibility for the information contained in the listing application and all documents submitted to the PSE, including this Preliminary Prospectus.

Unless otherwise indicated, all information in the Preliminary Prospectus is as of the date hereof. Neither the delivery of this Preliminary Prospectus nor any sale made pursuant to this Preliminary Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Preliminary Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, the Company does not make any representation, undertaking or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Preliminary Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

This Preliminary Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Sole Issue Manager and Bookrunner or their respective affiliates or legal advisers that any recipient of this Preliminary Prospectus should purchase the Preferred Shares. Each person contemplating an investment in the Preferred Shares should make his own investigation and analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Preferred Shares. A person contemplating an investment in the Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Preferred Shares involves a higher degree of risk compared to debt instruments. Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

Risks Relating to Our Business

1. CLC may experience difficulty in implementing its growth strategy.

2. Maritime vessels are CLC's primary assets and, in the course of operation, are susceptible to maritime accidents.

3. CLC's operations are susceptible to acts of piracy and terrorism.

4. CLC's level of indebtedness may have a material adverse effect on its financial condition.

5. CLC operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.

6. CLC's vessels are mechanical and are susceptible to breakdowns.

7. The shipping industry is highly competitive.

8. Volatility of fuel prices impacts the operations of CLC.

9. Scarcity of technically skilled officers and crew.

10. Difficulty of sourcing of vessels appropriate for our operations.

11. Possible inadequacy of Insurance and Indemnity Coverage.

12. Changes in legal and regulatory environment.

Risks Relating to the Philippines

1. The Philippine economy and business environment may be disrupted by political or social instability.

2. Acts of terrorism in the Philippines could destabilize the country and could have a material adverse effect on our business, prospects, financial condition and results of operations.

3. Risks related to maritime terrorism and piracy.

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

5. The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may adversely affect the Philippine economy and disrupt the Company's operations.

6. As our operations are concentrated in the Philippines, any downturn in general economic conditions in the Philippines could have a material adverse impact on our business operations.

7. Shareholders may be subject to limitations on minority shareholders' rights.

8. The credit ratings of the Philippines may restrict the access to capital of Philippine companies.

9. Investors may face difficulties enforcing judgments against the Company.

Risks Related to the Offer and the Offer Shares

1. The Preferred Shares may not be a suitable investment for all investors.
2. The Company's Shares are subject to Philippine foreign ownership limitations.
3. Redemption of the Preferred Shares shall be at the option of the Issuer.
4. Market volatility may affect the price of the Preferred Shares
5. Additional taxes may be incurred relating to the sale, exchange or disposition of the Preferred Shares.
6. Dividend payments may be deferred by the Company.
7. Holders of the Preferred Shares will be subordinated to other indebtedness of the Company.
8. Upon a liquidation event, there may exists insufficient assets of the Company to distribute to holders of the Preferred Shares.
9. Payments made to holders of the Preferred Shares are subordinated to CLC's existing creditors.
10. There may be limited liquidity in the securities market.
11. Non-payment of dividends may negatively affect the price of the Preferred Shares.
12. Upon redemption of the Preferred Shares, investors may be left with the inability to reinvest their funds at a similar return.
13. The Preferred Shares have limited voting rights.

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" beginning on page 33 of this Preliminary Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

On June 26, 2018, CLC filed a Registration Statement covering the Offer Shares with the Securities and Exchange Commission ("**Philippine SEC**"), in accordance with the provisions of the Securities Regulation Code.

The listing of the Offer Shares is subject to the approval of the PSE. An application to list the Offer Shares as well as the rest of the Shares was filed with the PSE on [•]. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Preliminary Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Preliminary Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or the SEC. Prior to the Offer, there has been no public market for the Shares. Accordingly, there has been no market price for the Shares derived from day to day trading. An application has been made with the Philippine SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) (the "**SRC**").

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE THEREBY, AND ANY

SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR BE CONSIDERED A SOLICITATION OF AN OFFER TO BUY.

The Offer Shares are offered subject to receipt and acceptance of any order by us and subject to our right to reject any order in whole or in part and subject to applicable ownership restrictions under applicable laws and regulations. It is expected that the Offer Shares will be delivered in book-entry form against payment thereof to the Philippine Depository and Trust Corporation (the "**PDTC**") on or about [•].

By:

(SGD.)

DENNIS A. UY
Chairman of the Board

(SGD.)

CHRYSS ALFONSUS V. DAMUY
President and CEO

SUBSCRIBED AND SWORN to before me this _____ day of __________ 2018 in Taguig City, Philippines, affiant Dennis A. Uy exhibiting to me his Tax Identification Number172-020-135 and affiant Chryss Alfonsus V. Damuy exhibiting to me his Tax Identification Number 913-898-959.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of 2018.

No representation or warranty, express or implied, is made by us or the Sole Issue Manager and Bookrunner regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Sole Issue Manager and Bookrunner as to the accuracy or completeness of the information herein and nothing contained in this Preliminary Prospectus is, or shall be relied upon as, a promise or representation by the Sole Issue Manager and Bookrunner. The contents of this Preliminary Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Preliminary Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited. Each offeree of the Offer Shares, by accepting delivery of this Preliminary Prospectus, agrees to the foregoing.

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

No person has been authorized to give any information or to make any representations other than those contained in this Preliminary Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the Sole Issue Manager and Bookrunner. This Preliminary Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Preliminary Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Market data used throughout this Preliminary Prospectus has been obtained from market research, reports and studies, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts, market research and the underlying economic assumptions relied upon therein, while believed to be reliable, have not been independently verified, and the Company nor the Sole Issue Manager and Bookrunner makes any representation as to the accuracy of that information. The information related to the Philippine tanker, RoPax and cargo industries in this Preliminary Prospectus reflects estimates of market conditions based on publicly available sources and trade opinion surveys. Forecasts were made on the assumption that the Philippine economy is expected to maintain a steady growth and that the social, economic, and political environment is expected to remain stable.

The operating information used throughout this Preliminary Prospectus has been calculated by us on the basis of certain assumptions. As a result, this operating information may not be comparable to similar operating information reported by other companies.

CLC reserves the right to withdraw the offer and sale of Offer Shares at any time, and the Sole Issue Manager and Bookrunner reserve the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, we shall subsequently notify the Philippine SEC and the PSE. The Sole Issue Manager and Bookrunner and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Preliminary Prospectus, agrees to the foregoing.

Conventions Used in this Preliminary Prospectus

In this Preliminary Prospectus, unless otherwise specified or the context otherwise requires, all references to “we”, the “Company”, “CLC”, “our” or “us” are to Chelsea Logistics Holdings Corp., or to Chelsea Logistics Holdings Corp. and its consolidated subsidiaries, as the context requires. All references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” pertain to the national government of the Philippines. All references to the “BSP” are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to “Philippine Peso,” “Pesos” and “₱” are to the lawful currency of the Philippines, and all references to “U.S. dollars” and “US$” are to the lawful currency of the United States. We publish our financial statements in Pesos.

This Preliminary Prospectus contains translations of certain Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the prospective investor. These translations should not be construed as representations that the Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Pesos to U.S. dollars have been made at a rate of ₱50 = US$1.00. [On December 31, 2017, the closing spot rate quoted on the BSP was ₱49.923= US$1.00.]

Basis for Certain Market Data

Certain statistical information and forecasts in this Preliminary Prospectus relating to the Philippines and other data used in this Preliminary Prospectus were obtained or derived from internal surveys, industry forecasts, market research, governmental data, and publicly available information and/or industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable. However, there is no assurance that such information is accurate or complete. Similarly, internal surveys, industry forecasts, market research, governmental data, publicly available information and/or industry publications have not been independently verified by the Company or the Sole Issue Manager and Bookrunner and may not be accurate, complete, up-to-date, balanced or consistent with other information compiled within or outside the Philippines.

Presentation of Financial Information

Our financial statements are reported in Philippine Pesos and are prepared based on our accounting policies, which are in accordance with the Philippine Financial Reporting Standards (“**PFRS**”) issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretations Committee.

The financial information presented herein for CLC are as of and for the years ended December 31, 2016 and 2017. Unless otherwise stated, all financial information relating to us contained herein is stated in accordance with PFRS.

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

Our fiscal year begins on January 1 and ends on December 31 of each year. Punongbayan & Araullo ("**P&A**"), a member firm of Grant Thornton International Limited, has audited our financial statements for the year ended December 31, 2017. P&A has also has examined and rendered an Independent Auditor's Assurance Report on the pro forma condensed consolidated financial information of CLC and its subsidiaries as of and for the year ended December 31, 2017.

Non-PFRS Financial Measures

This Preliminary Prospectus includes certain non-PFRS financial measures, including EBITDA and EBITDA margin. The term "EBITDA" refers to earnings before interest, taxes, depreciation and amortization. EBITDA is a supplemental measure of our performance and liquidity that is not required by or presented in accordance with PFRS. Further, EBITDA is not a measurement of our financial performance or liquidity under PFRS and should not be considered as an alternative to net income, revenues or any other performance measure derived in accordance with PFRS or as an alternative to cash flow from operations or as a measure of our liquidity. We believe that EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortization of tangible assets (affecting relative depreciation and amortization expenses). We present EBITDA because we believe that it is frequently used by securities analysts and investors in the evaluation of companies in our industry.

Forward-Looking Statements

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

1. Known and unknown risks;

2. Uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from expected future results; and,

3. Performance or achievements expressed or implied by forward-looking statements.

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

1. Risks relating to our business;

2. Risks relating to the Philippines; and

3. Risks relating to the Offer and the Offer Shares.

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

The Sole Issue Manager and Bookrunner does not take any responsibility for, or give any representation, warranty, or undertaking in relation to any such forward-looking statements.

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

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GLOSSARY OF TERMS

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

Barge	A flat-bottomed boat for carrying freight, typically on canals and rivers, either under its own power or towed by another
BIR	The Philippine Bureau of Internal Revenue
BVAL	The Bloomberg Evaluated Pricing service (or its successor service) of Bloomberg LP (or its successor entity).
CAGR	Compound annual growth rate
Cargo	Freight loaded into a vessel
China Bank Capital	China Bank Capital Corporation, the Sole Issue Manager and Bookrunner
Classification Society	A non-governmental organization in the shipping industry, which establishes and maintains technical standards for construction and operation of marine vessels and offshore structures.
Company	Chelsea Logistics Holdings Corp. and its Subsidiaries
Dredger	A barge or other vessel designed for cleaning out the bed of harbors or other bodies of water
Firm Offer Shares	The offer and sale of 3,000,000 Shares
Government	The Government of the Republic of the Philippines
GRT	.Gross Registered Tonnage
IACS	International Association of Classification Societies, a technically based organization consisting of twelve marine classification societies which provides a forum where member societies can discuss research and adopt technical criteria that enhance maritime safety.
Listing Date	[December [], 2018
Man hours	24 hours of work per individual
MARINA	Maritime Industry Authority
MTkr or MT	Motorized Tanker
MTug	Motorized Tugs
MV	Motorized Vessel

Offer	The aggregate issue size of up to 5,000,000 Preferred Shares
Offer Price	₱1,000 per Offer Share
Offer Shares	Up to 5,000,000 new Preferred Shares to be issued and offered
Oversubscription Option	The offer and sale of up to 2,000,000 Preferred Shares in addition to the Firm Offer
Oversubscription Option Shares	The Preferred Shares in pertaining to the exercise of the Oversubscription Option
PDST-R2	The Philippine Dealing System Treasury - Reference Rate PM as published on the Philippine Dealing System page (or any successor page) of Bloomberg (or such successor electronic service provider) at approximately 4:15 p.m. (Philippine Standard Time).
PDTC	Philippine Depository and Trust Corporation
PFRS	Philippine Financial Reporting Standards
Philippine Corporation Code	Batas Pambansa Blg. 68 otherwise known as the Corporation Code of the Philippines
Philippine National	As defined under the Foreign Investment Act, means a citizen of the Philippines, or a domestic partnership or association wholly-owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals; provided, that where a corporation and its non-Filipino stockholders own stocks in a Securities and Exchange Commission registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of each of both corporations must be owned and held by citizens of the Philippines, in order that the corporation shall be considered a Philippine national.
Philippine SEC	The Philippine Securities and Exchange Commission
PPPI	P-H-O-E-N-I-X Petroleum Philippines, Inc.
Preferred Shares	The preferred shares of par value ₱1.00 of CLC

PSE	The Philippine Stock Exchange, Inc.
PSE Trading Participants	Duly licensed securities brokers who are trading participants of the PSE
Receiving Agent	BDO Unibank, Inc. – Trust and Investments Group, Securities Services and Corporate Agencies Department
RoRo	Roll-on, Roll-off with cargo
RoPax	Roll-on, Roll-off with passengers and cargo
Sqm	Square meter
SRC …	The Philippine Securities Regulation Code, Republic Act No. 8799, as amended from time to time, and including the rules and regulations issued there under
Tanker	A merchant vessel designed to transport liquids or gases in bulk
Tugboat/Tugs	A powerful boat used for towing larger vessels, especially in harbor.
VAT	Value-Added Tax

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Preliminary Prospectus, including our audited financial statements and the notes thereto, included elsewhere in this Preliminary Prospectus. Because it is a summary, it does not contain all the information that a prospective investor should consider before investing. Prospective investors of the Offer Shares must read the entire Preliminary Prospectus carefully, including the section on "Risk Factors," and the financial statements and the related notes to those statements annexed to this Preliminary Prospectus. Capitalized terms not defined in this summary are defined in the "Glossary of Terms" or elsewhere in this Preliminary Prospectus.

Overview

CLC is a corporation organized and registered with the Philippine SEC onAugust 26, 2016 as Chelsea Shipping Group Corp. primarily to act as a holding company. On December21, 2016, the Philippine SEC approved its change in corporate name to Chelsea Logistics Corp.Subsequently, on June 27, 2017, the Philippine SEC again approved the Company's change in corporate name to Chelsea Logistics Holdings Corp.

CLC, through its subsidiariesand associates, is engaged in the shipping transport and logistics business, described in detail as follows:

1. Chelsea Shipping Corp. ("**CSC**"), incorporated on July 17, 2006, and which began commercial operations on January 1, 2007, is engaged in the maritime conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbors, and other waterways in the Philippines.

2. Trans-Asia Shipping Lines, Incorporated ("**Trans-Asia Shipping**"), incorporated on March 25, 1974, is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas. The acquisition by the Company of Trans-Asia Shipping and its subsidiaries was completed in the last quarter of 2016.

3. WorkLink Services, Inc. ("**WSI**"), established in June 2, 1994, provides domestic logistics solution for various local industries. Its services include courier, trucking, warehousing, and special account management handling. The acquisition by the Company of WSI was completed in November 2017.

4. Starlite Ferries, Inc. ("**SFI**"), incorporated on August 25, 1994, is engaged in the general business of domestic shipping to own and operate any class, type or description for domestic trade, to charter in and out any such vessels. SFI is one of the dominant shipping companies in the Batangas – Calapan and Roxas – Caticlan trade routes. The acquisition by the Company of SFI was completed in November 2017.

5. 2Go Group, Inc., ("**2Go**") formed and organized in May 26, 1949, is an integrated transport solutions provider. 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). The Company accounts for

its investment in 2Go as an investment in an associate, in accordance with PAS 28, *Investment in an Associate*.

CSC's wholly-owned subsidiaries are engaged in the following businesses:

1. PNX-Chelsea Shipping Corp. ("**PNX-Chelsea**"), incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.

2. Fortis Tugs Corporation ("**FTC**"), incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. Davao Gulf Marine Services, Inc., a wholly-owned subsidiary of FTC, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

3. Michael, Inc. ("**MI**"), incorporated on December 26, 1957,is engaged in the business of acquiring and operating floating equipment for charter or hire, and for conveyance and carriage of goods, wares and merchandise of every description in the Philippine coastwise traffic.

4. Bunkers Manila, Incorporated ("**BMI**"), incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.

5. Chelsea Ship Management & Marine Services Corp. ("**CSMMSC**"), incorporated on March 30, 2012, and which began commercial operations on August 15, 2012, is engaged in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

6. Chelsea Marine Manpower Resources Inc. ("**CMMRI**"), incorporated on June 9, 2016, and which began commercial operations on August 1, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

7. Chelsea Dockyard Corp. ("**CDC**"), incorporated on January 8, 2018, is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.

8. CD Ship Management & Marine Services Corp., incorporated on March 14, 2018, is engaged in in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

CSC and its subsidiaries BMI, MI and PNX-Chelsea, provide four (4) types of charter services, namely, voyage charter, time charter, bareboat charter and continuing voyage charter, described as follows:

1. Voyage Charter

   The hiring of a vessel and crew for a voyage between a loading port and a discharging port. The charterer pays the vessel owner on a per-tenor lump-sum basis. The owner pays the port costs (excluding stevedoring), fuel costs and crew costs. The payment for the use of the vessel is known as freight. A voyage charter specifies a period, known as laytime, for unloading the cargo. If laytime is exceeded, the charterer must pay demurrage. If laytime is saved, the charter party may require the shipowner to pay dispatch to the charterer, if applicable.

2. Time Charter

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

3. Bareboat Charter

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

4. Continuing Voyage Charter

   The same as Voyage Charter except that this is exclusive for chartered vessels.

On the other hand, Trans-Asia Shipping's wholly-owned subsidiaries are engaged in the following businesses:

1. Oceanstar Shipping Corporation ("**Oceanstar**"), incorporated on July 6, 2016, is engaged in the business of domestic shipping for the transportation of passengers and cargoes within Philippine territorial seas and/or in high seas.

2. Starsy Shoppe, Inc. ("**SSI**"), incorporated on March 31, 2005, is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

3. Dynamic Cuisine, Inc. ("**DCI**"), incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, bars, and in making, cooking, arranging, serving and catering goods, drinks, refreshments and other food or commodities commonly served in such establishments.

4. Quality Metal & Shipworks, Inc. ("**QMSI**"), incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.

The Company generated total revenues of₱1.638 billion and ₱3.909 billion for the years ended December 31, 2016 and 2017 and net income of ₱132 million and ₱161 million for the same periods. For the six months ended June 30, 2017 and 2018, the Company generated total revenues of ₱1.537 billion and ₱2.720 billion, respectively, and net income of ₱278 million and ₱360 million for the same periods. Shown below is the breakdown contribution of each revenue stream.

	For the years ended December 31 (Audited)	**For the six months ended June 30 (Unaudited)**

	2016	2017	2017	2018
Freight fees…………	**-**	**35%**	**28%**	**31%**
Charter fees…………	**87%**	**31%**	**44%**	**35%**
Passage fees………..	**-**	**20%**	**17%**	**20%**
Tugboat fees……….	**7%**	**7%**	**8%**	**7%**
Logistics services…	**-**	**6%**	**0%**	**5%**
Others………………..	**6%**	**1%**	**3%**	**2%**

On March 27, 2017, CLC acquired all of Udenna Investments B.V.'s ("UIBV") outstanding capital stock through a share swap agreement with Udenna Corporation wherein Udenna Corporation transferred to CLC 18,200 UIBV shares. In exchange, CLC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna Corporation.UIBV was incorporated on August 25, 1994 and is a private limited liability company organized under Dutch Law. UIBV owns 80% economic interest and 39.97% of the voting rights in KGLI-NM Holdings, Inc. ("**KGLI-NM**"), a domestic corporation which was incorporated on August 8, 2008. KGLI-NM was incorporated and registered with the Philippine SEC primarily as an investment holding company. KGLI-NMholds 39.85% economic interest in and owns 60% of the voting stock in Negros Navigation Co., Inc. ("**Nenaco**").

KGLI-NM acquired such interests in Nenaco on May 13, 2008. Nenaco, in turn owns 88.31% of 2Go Group, Inc. Nenaco acquired its interests in 2Go on December 28, 2010. Nenaco and 2Go are the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

On April 4, 2018, the Philippine Competition Commission ("PCC") accepted the filing and issued a notice of sufficiency for Udenna Corporation's notification of its acquisition of UIBV. Through its ownership of UIBV, CLC has a 28.15% indirect economic interest in 2Go.

The Issuer is not required to consolidate its investments in 2Go as the Issuer does not presently exercise control over 2Go. PFRS 10, Consolidated Financial Statements, provides that *"an investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights to, variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of investor's return"*.

Mr. Dennis A. Uy, the Issuer's Founder and Chairman of the Board, was first appointed as member of 2Go's Board of Directors on February 6, 2017. In the April 7, 2017 Board Meeting, he was appointed as President and Chief Executive Officer of 2Go, while Ms. Ma. Concepcion F. de Claro was appointed as Director representing the Company.

Mr. Uy's appointment as a member of the Board of Directors allows the Issuer to participate in the financial and operating policy decisions of 2Go. The Issuer's investment in 2Go is accounted for as an investment in an associate in accordance with PAS 28, *Investment in an Associate*.At 2Go's annual stockholders meeting held on September 20, 2017, Mr. Uy has been appointed as the company's Chairman of the Board. On April 5, 2018, Dennis A. Uy was re-appointed as Chairman of the Board, and Ma. Concepcion F. De Claro was re-appointed as Director, while CLC President& CEO Chryss Alfonsus V. Damuy was appointed as a Director.

Strengths

The Company believes that it has the following competitive strengths:

1. Philippine shipping industry market leader by tanker capacity, RoPax, and route shares

2. Superior fleet quality and capacity complemented by nationwide maritime facilities and systems

3. Seasoned management team of industry experts

4. Vertical and horizontal integration synergies with Group affiliates that complements a robust client base of prominent industry players with increasing demand requirements

5. Strong acquisition track record

Strategies

1. Establish regional presence

2. Re-fleeting and continuous upgrade of vessels

3. Expansion into new routes

4. Accelerate growth through key acquisitions

5. Development of facilities to support the Group's core business

The Company believes that the successful implementation of the above strategies will support its continued growth and profitability as it will increase the Company's market share and become the clear leader in the Philippine shipping industry.

Recent Developments up to 14 November 2018

PCC Decision on the Company's acquisition of Trans-Asia Shipping Lines, Incorporated and KGLI-NM

On June 28, 2018, the Company received the PCC's decision declaring void its 2016 acquisition of Trans-Asia Shipping for failure to notify and secure PCC approval of such acquisition. At the time of Chelsea's acquisition of Trans-Asia in December 2016, the size of transaction threshold for compulsory notification to the PCC under the Rules and Regulations to Implement the Philippine Competition Act ("PCA IRR") was ₱1.0 Billion. The PCC ruled that a notification should have been filed because Trans-Asia, at the time of Chelsea's share acquisition, had gross assets of ₱1.1 Billion, a little over the threshold.

The Company's position is that notification to the PCC was not required since Trans-Asia's Net Asset Value ("NAV") at the time of the sale was significantly below the ₱1.0 Billion size of transaction threshold. Trans-Asia had substantial debts on its books which reduced its NAV to only ₱162 Million, not even half of such threshold. It will be recalled that, early in 2018 the PCC revised the PCA IRR to raise the size of transaction threshold to ₱2.0 Billion, citing as reason that transactions below this amount will not likely lead to a substantial lessening of competition.

On July 13, 2018, the Company filed a Motion for Reconsideration with the PCC for redress with regard to the PCC's voiding of the acquisition of Trans-Asia Shipping and the penalty of ₱22.8 Million for non-notification.

The PCC also issued another decision on June 28, 2018 regarding Chelsea's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO, which decision is dependent on the final outcome of the PCC's decision on the Trans-Asia shipping acquisition.

On July 18, 2018, the Company filed its Motion for Partial Reconsideration of the above KGLI-NM Decision wherein the Company prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

On September 5, 2018, the Company received the order of the PCC setting the TASLI and the KGLI-NM acquisitions for joint hearing on 17 September 2018. At said hearing, CLC Chairman Dennis A. Uy confirmed that CLC intends to acquire TASLI and that CLC agreed to be bound by the remedies or conditions of the PCC to address the competition concerns arising from the acquisition of TASLI.

On September 21, 2018, the Company and TASLI filed their separate Notification Forms on the TASLI acquisition and on October 9, 2018, the Notice of Sufficiency from the PCC regarding said Forms was received. On October 14, 2018, the Company filed its Waiver of the Period for Phase 1 review and on October 19, 2018, the Company filed its Voluntary Commitments which are presently under review by the PCC.

On the earlier PCC Decision voiding the TASLI acquisition, the PCC in its Resolution dated October 4, 2018 ruled that the Motion for Reconsideration of said Decision is denied for being moot, and reduced the penalty earlier imposed to 1% of the TASLI transaction or ₱11,427,007.72. The Company paid the reduced fine on October 10, 2018.

PCC Decision on Starlite Ferries, Inc.'s acquisition of Southwest Gallant Ferries, Inc. and Southwest Premier Ferries, Inc.

On June 20, 2018, PCC has approved Starlite Ferries, Inc.'s (a wholly-owned subsidiary of CLC) proposed acquisition of Southwest Gallant Ferries, Inc. (SGFI) and Southwest Premier Ferries, Inc. (SPFI). SGFI is a local shipping company, with an asset consisting of an option to purchase one (1) brand-new RoPax vessel. On the other hand, SPFI is a local shipping company that currently owns one (1) RoPax vessel plying the route of Surigao to Liloan, Southern Leyte and back. The Company expects to complete the acquisition of SGFI and SPFI using a portion of the proceeds from the sale of Offer Shares.

Unveiling of the Philippine's Biggest Vessel – M/T Chelsea Providence and M/V Salve Regina

On October 5, 2018, the Company inaugurated the latest additions to its fleet, namely M/T Chelsea Providence and M/V Salve Regina, at the Manila North Harbour Port.

M/T Chelsea Providence, which is a 183.3-meter long medium range oil tanker that can carry up to 54 million liters of petroleum at any given time, is the country's biggest vessel to date.

On the other hand, M/V Salve Regina is a roll-on, roll-off vessel which can accommodate more than 500 passengers and 41 vehicles. It is the first brand-new RoPax to service the Batangas – Caticlan route. It was built by Kegoya Dock Co. Ltd., a Japan-based shipbuilder.

CLC's Unsolicited Proposal to Modernize Davao Sasa Port

In August 2018, the Company submitted a ₱11.2-billion unsolicited proposal to the Philippine Ports Authority (PPA) for the modernization of the Sasa port in Davao City. Currently, the PPA is still evaluating the proposal and the Company has no information whether the PPA has accepted the unsolicited proposal.

CLC's Unsolicited Proposal to Develop and Operate Davao International Airport

On February 5, 2018, the Company submitted to the Department of Transportation (DOTr) an unsolicited Public-Private Partnership (PPP) proposal for the bundled development, operation and management of Davao and New Bohol (Panglao) International airports for a concession period of 30 years.

In its unsolicited offer, the Company proposes to operate and maintain all of existing and project assets within the boundary of the two (2) airports, except those that will remain within the control of the Civil Aviation Authority of the Philippines (CAAP), while undertaking the necessary development works to meet future passenger and aircraft movements.

In October 2018, the Department of Transportation, through CAAP, has granted the Original Proponent Status (OPS) to the Company for its ₱49.0-billion unsolicited proposal to operate, maintain, and expand the Davao International Airport. Subsequently, the Company's unsolicited proposal shall be submitted to the National Economic and Development Authority (NEDA) Board for approval.

CLC's Participation in the Selection Process for the New Major Player in the Philippine Telecommunications Market

CLC, and its majority shareholder, Udenna Corporation, have agreed with China Telecommunications Corporation (CT)and Mindanao Islamic Telephone Company, Inc. (MISLATEL) to formally bid as a consortium (i.e. the MISLATEL Consortium) for the New Major Player (NMP) in the Philippines' telecommunicationsmarket. CLC's Board of Directors approved its participation in the NMP selection process on November 6, 2018. Theconsortium's proposal was submitted to the National Telecommunications Commission ("NTC") Selection Committee on November 7, 2018. After the review process, on the same day, the NTC named MISLATEL as the provisional third telecommunications player[2] in the Philippines.The NTC is currently conducting a post-qualification verification of the documents submitted by MISLATEL.

The two other biddersfiled their respective motions for reconsideration of their disqualification by the Selection Committee,which were denied by the NTC. The bidders have three calendar days from receipt of such denial to file an appeal with the NTC.

Upon issuance by the NTC of the Confirmation Order finally designating MISLATEL as the NMP, CLC and Udenna shall each make equity infusions into MISLATEL to enable it to meet the Php10,000,000,000.00 minimum capitalization requirement, in the following proportion: (i) Udenna – 35%; (ii) CLC – 25%.

CLC will not utilize any portion of the proceeds from the Offer to finance this equity infusion into MISLATEL.

Proposed Amendments to the By-Laws

[2] Under the Terms of Reference of the NMP selection process, only a congressional franchise holder (i.e., MISLATEL), and not the consortium, can be declared as the NMP.

CLC's board of directors and shareholders have approved a proposed amendment of the By-laws that will clearly delineate the functions of the President and creating the offices of Chief Executive Officer and Chief Operating Officer. The application for the approval by the SEC of such amendments has not yet been formally filed with the SEC's Company Registration and Monitoring Department (CRMD), but it is already undergoing routine clearance procedures at the SEC. Such amendments to the By-laws will only be effective upon approval by the SEC CRMD.

Risks of Investing

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "*Risk Factors*" and include risks relating to our business, risks relating to the Philippines, and risks relating to the Offer and the Offer Shares and in this Preliminary Prospectus.

Company Information

CLC is a Philippine corporation with its principal address at Stella Hizon Reyes Road, Bo. Pampanga, Davao City 8000, Philippines, and office address at 26/F, Fort Legend Tower, 3rdAve. corner 31stSt., Bonifacio Global City, Taguig City. CLC's telephone number is**:** +63 82 224 5373 (Davao), and +63 2 403 4015 (Taguig). Our website is: www.chelsealogistics.ph.The information on our website is not incorporated by reference into, and does not form a part of this Preliminary Prospectus.

Investor Relations Office

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

Rishamae S. Diaz headsCLC's Investor Relations Office and serves as the Company's designated Investor Relations Officer ("**IRO**") and her e-mail address is rishamae.diaz@chelseashipping.ph.

The IRO will also be responsible for ensuring that the CLC's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As CLC's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of CLC's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the CLC's website and the preparation of its annual reports. The IRO will also be responsible for conveying information such as our policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of our operations and performance.

Atty. Leandro E. Abarquez serves as our Compliance Officer with respect to disclosures and continuing requirements of the Philippine SEC and the PSE.

Our Investor Relations Office is located at 26/F Fort Legend Tower, 3rd Ave. corner 31st St., Bonifacio Global City, Taguig City, and can be reached at +63 2 403 4015.Our investor relations website ishttp://www.chelsealogistics.ph/investorrelations.

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of CLC and the Offer Shares. Each prospective investor must rely on its own appraisal of CLC and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Chelsea Logistics Holdings Corp.
Sole Issue Manager and Bookrunner	China Bank Capital Corporation
Participating Underwriter	[*]
Selling Agents	[*] PSE Trading Participants
Stock Transfer Agent	[•]
Receiving and Paying Agent	[•]
Counsel to the Issuer	Romulo Mabanta Buenaventura Sayoc & De Los Angeles
Counsel to the Sole Issue Manager and Bookrunner	Picazo Buyco Fider Tan & Santos
The Offer	The Issuer, through the Sole Issue Manager and Bookrunner, is offering 3,000,000 Preferred Shares (the "**Firm Offer Shares**,")and in the event of an oversubscription, the Sole Issue Manager and Bookrunner, with the consent of the Company, reserve the right to increase the size of the offer by up to 2,000,000 Preferred Shares (the "**Oversubscription Option**"), and the Preferred Shares pertaining to such option, (the "**Oversubscription Option Shares**"), for an aggregate issue size of up to 5,000,000 Preferred Shares (this offer, the "**Offer**" and the Firm Offer Shares and the Oversubscription Option Shares collectively, the "**Offer Shares**")at an offer price of ₱1,000.00 per Offer Share (the "Offer Price").In case the Oversubscription Option is exercised in part only or not exercised at all during the Offer Period (as defined below), the Oversubscription Option Shares that will not be taken up or exercised during the Offer Period will remain unsubscribed.

Offer Period..	The Offer Period shall commence at 9:00 a.m., Manila time, on [December [•], 2018]and end at 12:00 p.m., Manila time, on [December [•]2018]. CLC and the Sole Issue Manager and Bookrunner reserve the right to extend or terminate the Offer Period with the approval of the Philippine SEC and the PSE. Applications must be received by the Receiving Agent not later than 12:00 p.m., Manila time on [*], whether filed through a participating Selling Agent or filed directly with the Sole Issue Manager and Bookrunner. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating Selling Agent and shall be subject to the terms and conditions of the Offer as stated in this Preliminary Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Sole Issue Manager and Bookrunner under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.
Use of Proceeds..	In case the Oversubscription Option is exercised in full, the Company intends to use the net proceeds from the Offer for mergers and acquisitions of shipping and logistics companies, acquisition of land, and development of logistics facilities, acquisition of additional vessels and vessel equipment, container vans, and delivery equipment, and for general corporate purposes. In case the Oversubscription Option is exercised in part only or not exercised at all, the Company intends to use the net proceeds from the Offer to finance mergers and acquisitions of shipping and logistics companies. See "*Use of Proceeds*" beginning on page 45 of this Preliminary Prospectus for details on how the total new proceeds are expected to be applied.
Minimum Subscription...............................	Each application must be for a minimum of 50 Offer Shares, and thereafter, in multiples of 10 Offer Shares. Applications for multiples of any other number of common shares may be rejected or adjusted to conform to the required multiple, at CLC's discretion.

Dividend Rate	The Offer Shares will, subject to certain dividend payment conditions (see "Conditions for the Declaration and Payment of Cash Dividends" in this Preliminary Prospectus), bear cumulative, non-participating cash dividends (the "Dividends") based on the Offer Price, payable quarterly in arrears every Dividend Payment Date (as defined below) at the Dividend Rate per annum reckoned from Issue Date. Dividends will be calculated on a 30/360-day basis. The term "Dividend Rate" means (a) from the Issue Date up to the Initial Optional Redemption Date, the Original Dividend Rate, and (b) from the Initial Optional Redemption Date, the higher of the Original Dividend Rate and the Step-Up Rate. (Please see below for the relevant definitions.)
Original Dividend Rate	The original dividend rate shall be at a fixed rate of [•] The final dividend rate for the Offer Shares was determined through a book building process. The range at which the Issuer and China Bank Capital accepted tenders in respect of the Offer Shares was within the sum of (i) the Benchmark Rate as defined below plus (ii) a spread of [two hundred and twenty-five (225) to two hundred and fifty (250) basis points].
Benchmark Rate	The Benchmark Rate is defined as: i. The simple average of five (5) year PDST-R2 benchmark rates for the three (3) consecutive business days ending on (and including) the Dividend Rate Setting Date, provided that there should be at least two (2) "done" rates for the applicable PDST-R2 rate from distinct days during the relevant three (3) business day period. ii. If the conditions set out in paragraph (i) are not met, then the simple average for the three consecutive business days ending on (and including) the Dividend Rate Setting Date of the daily straight-line interpolation of the weighted average yields of "done" trades of the relevant Philippine government-issued fixed-income instruments (the "Reference Bonds") from distinct days; for the avoidance of doubt, the Reference Bonds shall only be interpolated for a particular business day if there are "done" trades for both Reference Bonds.

iii. If the conditions set out in (i) and (ii) are not met, then the simple average of the applicable PDST-R2 rate for the three (3) consecutive business days ending on (and including) the Dividend Rate Setting Date, notwithstanding that there are no “done” transactions for such PDST-R2 rate for each of the said three (3) consecutive business days.

Interpolation Method

The formula for computing the interpolated rate for each business day shall be as follows:

Wherein:

$$R_i = R_1 + \left[\frac{R_2 - R_1}{t_2 - t_1} \times (t_i - t_1)\right]$$

R_i : shall be the interpolated rate of the Offer Shares

R_1 : shall be the weighted average yield of done trades for Reference Bond 1 of the Offer Shares, as indicated below, on the relevant valid trading day

R_2 : shall be the weighted average yield of done trades for Reference Bond 2 of the Offer Shares, as indicated below, on the relevant valid trading day

t_i : shall be the equivalent of 5 years in terms of days

t_1 : shall be the number of days to maturity of Reference Bond 1 of the Offer Shares, as indicated below, on the relevant valid trading day

t_2 : shall be the number of days to maturity of Reference Bond 2 of the Offer Shares, as indicated below, on the relevant valid trading day

The Reference securities are as follows:

Reference Bond 1	Reference Bond 2

iv. Notwithstanding the foregoing, in the event that the PDST-R2 is replaced with BVAL as the conventional pricing benchmark:the simple average of the yield designated as “Final BVAL YTM” (or its successor

	designation) for the 5-year Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg (or its successor entiry) at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) banking days immediately preceding and inclusive of the Dividend Rate Setting Date. v. If the Benchmark Rate cannot be determined as provided above, then the Issuer and Sole Issue Manager and Bookrunner shall agree on a mutually acceptable mechanism for determining the Benchmark Rate.
Step-Up Benchmark Rate	i. The Step-Up Benchmark Rate will be equivalent to the simple average of the ten (10)-year PDST-R2 for three (3) consecutive business days ending on (and including) the fifth (5th) anniversary as shown on the PDEx page (or such successor page) of Bloomberg (or such successor electronic service provider), provided that there are done transactions for such PDST-R2 on at least two (2) of the three (3) days above. ii. Notwithstanding the foregoing, in the event that the PDST-R2 is replaced with BVAL as the conventional pricing benchmark:the simple average of the yield designated as "Final BVAL YTM" (or its successor designation) for the 10-year Republic of the Philippines Peso-denominated domestic government bonds, as published on the relevant page of Bloomberg (or its successor entiry) at approximately 5:00 p.m. (Philippine Standard Time), for the three (3) banking days immediately preceding and inclusive the fifth (5th) anniversary. iii. If the Step-Up Benchmark Rate cannot be determined as provided above, then the Issuer and Sole Issue Manager and Bookrunner shall agree on a mutually acceptable mechanism for determining the Step-Up Benchmark Rate.
Dividend Rate Step-Up	Unless the Offer Shares are redeemed by the Issuer on the fifth (5th) anniversary of the Listing Date (the "Initial Optional Redemption Date"), the Dividend Rate shall be adjusted thereafter to the higher of:

	Original Dividend Rate, or the sum of: i. the Step-Up Benchmark Rate, and ii. the Original Spread plus 150 basis points (this item b, the “Step Up Rate”). For the avoidance of doubt, if the Original Dividend Rate is higher than the Step Up Rate, there shall be no adjustment on the Dividend Rate, and the Original Dividend Rate shall continue to be the Dividend Rate.
Dividend Payment Dates	As and if declared by the Issuer, and in accordance with the terms and conditions of the Offer Shares, dividends will be payable starting on [•] of each year (each, a “Dividend Payment Date”), being the last day of each 3-month dividend period (a “Dividend Period”), provided that, the first Dividend Period of the Offer Shares shall be the period commencing on the relevant issue date and ending on the last day of the then current dividend period for the outstanding Preferred Shares. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid. A “Banking Day” means a day, except Saturday or Sunday or legal holidays, when banks are open for business in Metro Manila Philippines during which facilities of the Philippine banking system are open and available for clearing.
Considerations for the Declaration and Payment of Cash Dividends	The Issuer’s Board of Directors has full discretion over the declaration and payment of cash dividends on the Offer Shares, to the extent permitted by law. The Issuer’s Board of Directors will not declare and pay cash dividends on any Dividend Payment Date where, in its opinion: (a) Payment of the cash dividend would cause the Issuer to breach any of its financial covenants; or (b) The unrestricted retained earnings available to the

Issuer for distribution as dividends are not sufficient to enable the Issuer to pay cash dividends in full on all other classes of the Issuer's outstanding shares that are scheduled to be paid on or before any Dividend Payment Date and that have an equal right and priority to dividends as the Offer Shares.

If the unrestricted retained earnings available for distribution as dividends are, in the Issuer's Board of Directors' opinion, not sufficient to enable the Issuer to pay both dividends on the Offer Shares and the dividends on other shares that have an equal right and priority to dividends as the Offer Shares, in full and on the relevant dates, then the Issuer is required to:

(1) first, pay in full, or to set aside an amount equal to, all dividends scheduled to be paid on or before that Dividend Payment Date on any shares with a right to dividends ranking higher in priority to that of the Offer Shares; and

(2) second, to pay dividends on the Offer Shares and any other shares ranking equally with the Offer Shares as to participation in such retained earnings pro rata to the amount of the cash dividends scheduled to be paid to them. The amount scheduled to be paid will include the amount of any dividend payable on that date and any arrears on any past cumulative dividends on any shares ranking equal in priority with the Offer Shares to receive dividends.

Any such cash dividends deferred or not declared in accordance with the above provisions shall constitute "Arrears of Dividends."

The unrestricted retained earnings available for distribution are, in general and with some adjustments, equal to the Issuer's accumulated profits, less accumulated realized losses. In general, under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends.

Cash dividends on the Offer Shares will be cumulative. If for any reason the Board of Directors of the Issuer

	does not declare cash dividends on the Offer Shares for a Dividend Period, the Issuer will not pay cash dividends on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which cash dividends are declared, holders of the Offer Shares must receive the accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends to the holders of the Offer Shares prior to such Dividend Payment Date. Holders of the Offer Shares shall not be entitled to participate in any other or further dividends, cash, property or stock beyond the dividends specifically payable on the Offer Shares. The Issuer covenants that, in the event: (a) any cash dividends due with respect to any Offer Shares then outstanding for any period are not declared and paid in full when due; (b) where there remains outstanding Arrears of Dividends; or (c) any other amounts payable under the terms and conditions of the Offer Shares are not paid in full when due for any reason, then it will not declare or pay any dividends or other distributions in respect of, or repurchase or redeem, securities ranking *pari passu* with, or junior to, the Offer Shares (or contribute any money to a sinking fund for the redemption of any securities ranking *pari passu* with, or junior to, the Offer Shares) until any and all Arrears of Dividends and accrued but unpaid cash dividends have been paid to the holders of the Offer Shares (unless such declaration or payment of dividends or distributions in respect of *pari passu* securities shall be in accordance with the paragraph numbered (2) of this section in respect of pro rata payment between the Offer Shares and any other shares ranking equally with the Offer Shares as to participation in the retained earnings).
Payments of Dividends and Other Amounts...	All payments of dividends and any other amounts under the Offer Shares shall be paid by the Issuer in Philippine Pesos.

	On the relevant payment dates, the Paying Agent shall make available to the holders of the Offer Shares as of the relevant record date, checks drawn against the relevant payment settlement account in the amount due to each of such holders of record, either (i) for pick-up by the relevant holder of record of the Offer Shares or its duly authorized representative at the office of the Paying Agent, or (ii) delivery via courier or, if courier service is unavailable for delivery to the address of the relevant holder of record of the Offer Shares via mail, at such holder's risk, to the address of such holder appearing in the Registry of Shareholders.
Optional Redemption................................	As and if approved by the Board of Directors of the Issuer and subject to the requirements of applicable laws and regulations, and the Issuer's financial covenants, the Issuer has the sole option, but not the obligation, to redeem all (but not part) of the outstanding Offer Shares, having given to the Stock Transfer Agent, the SEC and the PSE not less than thirty (30) days' written notice prior to the intended date of redemption, on: the Initial Optional Redemption Date; or any Dividend Payment Date after the Initial Optional Redemption Date (each, an "Optional Redemption Date"), at a redemption price equal to the Offer Price of the Offer Shares, plus any accrued and unpaid cash dividends due them on such Dividend Payment Date as well as all Arrears of Dividends outstanding, after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the "Redemption Price"). The Redemption Price shall be paid to holders of the Offer Shares as of the relevant record date set by the Issuer for such redemption. The Issuer may, at its sole option, subject to the requirements of applicable laws and regulations and the Issuer's financial covenants, also redeem the Offer Shares, in whole but not in part, at any time if an Accounting Event or a Tax Event has occurred, having given not less than thirty (30) days' written notice to the Stock Transfer Agent, the PSE and the SEC prior to the intended date of redemption.

	The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price, which shall be paid on the date of redemption set out in the notice.
Accounting Event	An accounting event ("Accounting Event") shall occur if, in the opinion of the Issuer, with due consultation with its independent auditors at the relevant time, there is more than an insubstantial risk that the Offer Shares or the funds raised through the issuance of the Offer Shares may no longer be recorded as "equity" to the full extent as at the Issue Date pursuant to the Philippine Financial Recording Standards ("PFRS"), or such other accounting standards which succeed PFRS, as adopted by the Republic of the Philippines and applied by the Issuer for drawing up its consolidated financial statements for the relevant financial year.
Tax Event	A tax event ("Tax Event") shall occur if dividend payments or other amounts payable on the Offer Shares become subject to higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof.
No Sinking Fund	The Issuer has not established, and currently has no plans to establish, a sinking fund for the redemption of the Offer Shares.
Purchase of the Offer Shares	Subsequent to the listing of the Offer Shares on the PSE, and subject to compliance with applicable law and rules of the PSE, the Issuer may purchase the Offer Shares at any time at market prices through the facilities of the PSE, or by tender offer or negotiated sale, subject, however, to the relevant PSE approval for a regular or special block sale (as applicable), without the obligation to purchase or redeem the other Offer Shares. Any Offer Shares redeemed or purchased by the Issuer shall be recorded as treasury stock of the Issuer and will be cancelled.
Taxation	Subject to the provisions set forth below, all payments in respect of the Offer Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of the Philippines, including but not limited to, documentary stamp, issue, registration, value added or

	any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Offer Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Notwithstanding the foregoing, the Issuer shall not be liable for, and the foregoing payment undertaking of the Issuer shall not apply to: (a) any withholding tax applicable to dividends earned by or any amounts payable to holders of the Offer Shares; (b) any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), documentary stamp tax or other applicable taxes on the redemption (or receipt of the Redemption Price) or buy back of the Offer Shares, or on the liquidating distributions as may be received by a holder of Offer Shares; (c) any expanded value added tax which may be payable by any holder of the Offer Shares on any amount to be received from the Issuer under the terms and conditions of the Offer Shares; (d) any withholding tax on any amount payable to any holder of Offer Shares which is a nonresident foreign corporation; and (e) applicable taxes on any subsequent sale or transfer of the Offer Shares by any holder of the Offer Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). Documentary stamp tax for the primary issue of the Offer Shares and the documentation, if any, shall be for the account of the Issuer. Please see "Taxation" in the Preliminary Prospectus for the Philippine tax consequences of the acquisition, ownership and disposition of Offer Shares.
Tax-Exempt Status or Entitlement to	An investor or holder of the Offer Shares who is exempt

Preferential Tax Rate	from the withholding tax described under "Taxation", or is subject to a preferential withholding tax rate shall be required to submit the following requirements to Stock Transfer Service, Inc. as the stock transfer agent of the Offer Shares or any entity who may succeed to the functions thereof (the "Stock Transfer Agent"), subject to acceptance by the Issuer, as being sufficient in form and substance: (i) a current and valid Bureau of Internal Revenue ("BIR") certified true copy (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) of the tax exemption certificate, ruling or opinion or a Certificate of Residence for Tax Treaty Relief ("CORTT Form"), as applicable, confirming the exemption or preferential rate; (ii) a duly notarized undertaking (in form and substance prescribed by the Issuer) executed by (1) the corporate secretary or any authorized representative of such applicant or holder of Offer Shares, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the holder of Offer Shares holds, the Offer Shares for its account, or (2) the trust officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Offer Shares pursuant to its management of tax-exempt entities (i.e., Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Stock Transfer Agent and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Stock Transfer Agent and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and (iii) If applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

	The foregoing requirements shall be submitted, (i) in respect of an initial issuance of the Offer Shares, to the Sole Issue Manager and Bookrunner or Selling Agents who shall then forward the same with the Application to Purchase to the Stock Transfer Agent; or (ii) in respect of a transfer from a holder of Offer Shares to a purchaser, to the Stock Transfer Agent within three (3) days from settlement date. Unless properly provided with satisfactory proof of the tax-exempt status of an applicant or a holder of the Offer Shares, the Stock Transfer Agent and Paying Agent may assume that said applicant or holder is taxable and proceed to apply the tax due on the Offer Shares. Notwithstanding the submission by the applicant or holder, or the receipt by the Issuer or any of its agents, of documentary proof of the tax-exempt status of an applicant or holder, the Issuer may, in its sole and reasonable discretion, determine that such shareholder is taxable and require the Stock Transfer Agent and Paying Agent to proceed to apply the tax due on the Offer Shares. Any question on such determination shall be referred to the Issuer.
Liquidation Rights	In the event of a return of capital in respect of the Issuer's winding up or otherwise (whether voluntarily or involuntarily) (but not on a redemption or purchase by the Issuer of any of its share capital), the holders of the Offer Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Issuer available for distribution to shareholders, together with the holders of any other shares of the Issuer ranking, as regards repayment of capital, *pari passu* with the Offer Shares and before any distribution of assets is made to holders of any class of the Issuer shares ranking junior to the Offer Shares as regards repayment of capital, liquidating distributions in an amount equal to the Offer Price per share plus an amount equal to the Arrears in Dividends, any dividends declared unpaid in respect of the previous dividend period, and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Issuer's winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Issuer, the amount payable with respect to the Offer Shares and any other shares of the Issuer ranking as to any such distribution *paripassu* with the Offer Shares are not paid in full, the holders of the Offer Shares and of such other shares will share proportionately in any such distribution of the assets of

	the Issuer in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Offer Shares will have no right or claim to any of the remaining assets of the Issuer and will not be entitled to any further participation or return of capital in a winding up.
Form, Title, and Registration of the Preferred Shares	The Offer Shares will be issued in scripless form through the electronic book-entry system of Stock Transfer Service, Inc. as the Stock Transfer Agent, and lodged with the Philippine Depository Trust Corporation ("PDTC") as depository agent on Listing Date through PSE trading participants nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application to Purchase (as defined below) the name of a PSE trading participant under whose name their Offer Shares will be registered. After Listing Date, shareholders may request their nominated PSE trading participant, to uplift their shares as evidence of their investment in the Offer Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Offer Shares will be shown in the stock and transfer book which shall be maintained by the Stock Transfer Agent. The Stock Transfer Agent shall send a transaction confirmation advice confirming every receipt or transfer of the Offer Shares. Any request by shareholders for certifications, reports or other documents from the Stock Transfer Agent, except as provided herein, shall be for the account of the requesting shareholder. For scripless shares, the maintenance and custody fee payable to the PDTC shall be for the account of the shareholder. Initial placement of the Offer Shares and subsequent transfers of interests in the Offer Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time. Philippine law does not require transfers of the Offer Shares to be effected on the PSE, but any off-exchange

	transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. Please see "Taxation" in this Preliminary Prospectus. All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.
Title and Transfer....................................	Legal title to the Offer Shares shall pass by endorsement and delivery to the transferee and registration in the Registry of Shareholders to be maintained by the Stock Transfer Agent. Settlement in respect of such transfer or change of title to the Offer Shares, including the settlement of documentary stamp taxes, if any, arising from subsequent transfers, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE.
Status of the Offer Shares in the Distribution of Assets in the Event of Dissolution	The Offer Shares will constitute the direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves. The Offer Shares rank junior in right of payment to all indebtedness of the Company and claims against the Company which rank or are expressed to rank senior to the Offer Shares. Accordingly, the obligations of the Company under the Offer Shares will not be satisfied unless the Company can satisfy in full all of its other obligations ranking senior to the Offer Shares. There is no agreement or instrument that limits or prohibits the ability of the Issuer to issue Offer Shares or other securities that rank *pari passu* with the Offer Shares or with terms and conditions different from the Offer Shares.
Selling and Transfer Restrictions...............	After listing, the subsequent transfers of interests in the Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law...	The Offer Shares will be issued pursuant to the laws of the Republic of the Philippines.
Eligible Investors......................................	The Offer Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality, subject to limits under

	Philippine law and "Restriction on Ownership." However, under certain circumstances, the Issuer may reject an Application or reduce the number of the Offer Shares applied for subscription. Subscription to the Offer Shares may be restricted in certain jurisdictions. Foreign investors interested in subscribing or purchasing the Offer Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, warrant that their purchase of the Offer Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Offer Shares.
Restriction in Ownership..........................	The Company, through its subsidiaries (most of which are wholly-owned), owns land as identified in the section on Description of Property on page 97. Under the Philippine Constitution and Philippine statutes, such activities are reserved for Philippine Nationals. Considering the foregoing, for as long as the Company or any of its subsidiaries own land in the Philippines, or continue to conduct property development in the Philippines, foreign ownership in the Company shall be limited to a maximum of: (i) 40% of the capital stock of the Company which is outstanding and entitled to vote; and (ii) 40% of the total outstanding capital stock of the Company, whether or not entitled to vote. For more information relating to restrictions on the ownership of the Offer Shares, please see sections entitled "Risk Factors" beginning on page 32 of the Preliminary Prospectus and "Regulatory Framework" beginning on page 158 of the Preliminary Prospectus.
Procedure for Application	Applications to Purchase the Offer Shares may be obtained from the Sole Issue Manager and Bookrunner, any co-lead managers, co-managers or Selling Agents. The Application to Purchase may also be obtained from the website of the Issuer at www.chelsealogistics.ph. All Applications shall be evidenced by the Application to Purchase, duly executed in each case by an authorized signatory of the applicant and accompanied by: (a) two (2) duly accomplished signature cards

	containing (i) if applicant is a natural person, the specimen signature of the applicant, and (ii) if applicant is a corporation, partnership or trust account, the specimen signatures of the applicant's authorized signatories, validated by its Corporate Secretary or by an equivalent officer or officers who is or are authorized signatory or signatories, and in respect of each of item (i) and (ii), validated/signed by the Sole Issue Manager and Bookrunner's authorized signatory or signatories whose authority and specimen signatures have been submitted to the Stock Transfer Agent, and (b) the corresponding payment for the Offer Shares covered by the Application and all other required documents including documents required for registry with the Stock Transfer Agent and Depository Agent. The duly executed Application to Purchase and required documents should be submitted to the Sole Issue Manager and Bookrunner or Selling Agents within the deadline as set out in this Preliminary Prospectus. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents: (a) a certified true copy of the applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary; (b) applicant's SEC certificate of registration, duly certified by the corporate secretary; and (c) a duly notarized corporate secretary's certificate setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Offer Shares indicated in the Application and (ii) the designated signatories for the purpose, including their respective specimen signatures. Individual applicants must also submit a photocopy of any one (1) of the following identification cards ("ID") bearing a signature and recent photo, and which is not expired: passport/driver's license, company ID issued by private entities or institutions registered with or supervised or regulated either by the Bangko Sentral ng

	Pilipinas ("BSP"), SEC or Insurance Commission, Social Security System card, Government Service and Insurance System e-card and/or Senior Citizen's ID or such other IDs enumerated in the Application to Purchase. Individual applicants must also submit such other documents as may be reasonably required by the Sole Issue Manager and Bookrunner or Selling Agents in implementation of its internal policies regarding "knowing your customer" and anti-money laundering. An applicant who is exempt from or is not subject to withholding tax or who claims reduced tax treaty rates must indicate such exemption or entitlement in the Application to Purchase and also submit additional documents as may be required by the Issuer, including but not limited to, the documents described under "Tax-Exempt Status or Entitlement to Preferential Tax Rate" in this Preliminary Prospectus.
Payment for the Offer Shares	The Offer Price of the Offer Shares subscribed for must be paid in full in Philippine Pesos upon submission of the Application. Payment shall be in the form of either: (a) a Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Offer Shares covered by the same Application. Checks should be made payable to ["China Bank Capital Corporation FAO •"] and crossed "For Payee's Account only". Applications and the related payments shall be received by the Receiving Agent at its offices or other designated places during the Offer Period; or (b) for applicants directly submitting their Application to Purchase to the Sole Issue Manager and Bookrunner or Selling Agents: (i) through the Real Time Gross Settlement facility of the BSP to the Sole Issue Manager and Bookrunner, co-lead managers, co-managers or Selling Agent to whom such Application was submitted, or (ii) via direct debit from their deposit account

	maintained with the Sole Issue Manager and Bookrunner or Selling Agents.
Acceptance/Rejection of Applications	The actual number of Offer Shares that an Applicant will be allowed to subscribe to is subject to the confirmation of the Sole Issue Manager and Bookrunner. The Issuer reserves the right to accept or reject, in whole or in part, or to reduce any Application due to any grounds specified in the Underwriting Agreement entered into by the Issuer and the Sole Issue Manager and Bookrunner. Applications which were unpaid or where payments were insufficient and those that do not comply with the Terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not ensure or indicate approval or acceptance by the Issuer of the Application. An Application, when accepted, shall constitute an agreement between the Applicant and the Issuer for the subscription to the Offer Shares at the time, in the manner and subject to terms and conditions set forth in the Application to Purchase and those described in the Preliminary Prospectus. Notwithstanding the acceptance of any Application by the Issuer, the actual subscription by the Applicant for the Offer Shares will become effective only upon listing of the Offer Shares on the PSE and upon the obligations of the Sole Issue Manager and Bookrunner under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the Applicants without interest.
Refunds of Application Payments	In the event that the number of Offer Shares to be allotted to an Applicant, as confirmed by the Sole Issue Manager and Bookrunner, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Issuer, then the Issuer shall refund, without interest, within five (5) Banking Days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Sole Issue Manager and Bookrunner or Selling Agents with whom the Applicant has filed the Application at the risk of the applicant.

Expected Timetable	The timetable of this Offer is as follows:

Dividend Rate Setting	[November[•], 2018]
Dividend Rate Announcement	[November [•], 2018]
Offer Period	[December [•]toDecember [•]2018]
PSE Trading Participants' Commitment Deadline	[December [•], 2018]
PSE Trading Participants' Allocation	December [•], 2018]
Issue Date	December [•], 2018]
Listing Date, and Commencement of Trading on the PSE	[December [•], 2018]

	The dates indicated above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.
Registration of Foreign Investments..........	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "*Philippine Foreign Ownership and Foreign Exchange Controls*" on page 155of this Preliminary Prospectus.
Listing and Trading	CLC has filed an application on June 26, 2018 with the Philippine SEC for the registration and an application with the PSE on June 27, 2018 for the listing of the Offer Shares. All of the Offer Shares issued or to be issued are expected to be listed on the PSE under the symbol "CLC3A" See "*Description of the Shares*." All of the Offer Shares are expected to be listed on the PSE on or about[December [•]], 2018. Trading of the Offer Shares is expected to commence on [December[•]] 2018.
Risks of Investing	Prospective investors should carefully consider the risks associated with an investment in the Offer Shares before making an investment decision. Certain of these risks are discussed in the section of this Preliminary

Prospectus entitled "*Risk Factors*."

SUMMARY HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables present the summary audited combined historical financial information for the Company for the years December 31, 2016and 2017and for the period ended June 30, 2017 and 2018 should be read in conjunction with the independent auditors' reports and the Company's audited historical financial statements, including the notes thereto, included elsewhere in this Preliminary Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The selected financial information below is not necessarily indicative of the results of future operations.

Summary Income Statement

	For the 12 months ended December 31		For the 6 months ended June 30	
	(Audited)		(Unaudited)	
	2016	2017	2017	2018
	(₱ millions)		(₱ millions)	
NET SALES	**1,638**	**3,909**	**1,537**	**2,716**
COST OF SALES				
Depreciation and amortization	450	796	232	433
Bunkering	111	867	247	554
Charter hire fees	226	98	57	96
Crew costs and benefits	246	363	101	272
Others	228	738	297	365
	1,261	**2,862**	**933**	**1,718**
GROSS PROFIT	**377**	**1,047**	**604**	**998**
GENERAL AND ADMINISTRATIVE EXPENSES	**155**	**530**	**190**	**424**
OTHER (CHARGES) - NET	(86)	(365)	(104)	(215)
INCOME BEFORE PRE-ACQUISITION INCOME AND TAX	**135**	**153**	**310**	**359**
PRE-ACQUISITION INCOME	-	105	-	-
PROFIT BEFORE TAX	**135**	**48**	**310**	**359**
TAX EXPENSE (INCOME)	4	(114)	32	5
NET INCOME	**131**	**161**	**278**	**354**

Summary Statement of Financial Position

	December 31 (Audited)		June 30 (Unaudited)
	2016	2017	2018
		(₱ millions)	
Current Assets	2,634	6,922	8,441
Non - Current Assets	8,126	19,458	23,079
TOTAL ASSETS	**10,760**	**26,380**	**31,520**
Current Liabilities	6,614	6,101	10,560
Non - Current Liabilities	2,585	7,121	7,389
TOTAL LIABILITIES	**9,199**	**13,222**	**17,949**
TOTAL EQUITY	**1,561**	**13,158**	**13,571**
TOTAL LIABILITIES AND EQUITY	**10,760**	**26,380**	**31,520**

Summary Statement of Cash Flows

	December 31 (Audited)		June 30 (Unaudited)	
	2016	2017	2017	2018
		(₱millions)		
Net cash provided by (used in) operating activities	(572)	(2,149)	(5,334)	45
Net cash used in investing activities	(2,985)	(3,950)	(499)	(3,932)
Net cash provided by (used in) financing activities	3,865	6,824	5,696	3,541
Effect of exchange rate changes on cash and cash equivalent	5	27	3	(25)
Net increase (decrease) in cash and cash equivalent	**312**	**753**	**(134)**	**(371)**
Cash and cash equivalents acquired from subsidiaries	166	180	-	-
Cash and cash equivalents at beginning of year	31	509	509	1,442
Cash and cash equivalents at end of year	**509**	**1,442**	**375**	**1,071**

Number of Vessels

	As of December 31		As of June 30
	2016	2017	2018
Tankers	11	11	12
Barges	4	4	4
Tugboats	6	9	14
Ro-Ro/RoPax	7	28	30
Cargo	3	13	16
Fastcrafts	0	10	11
Floating Dock	0	0	1
Total	**31**	**75**	**88**

Key Performance Indicators

	For the years ended December 31		For the six months ended June 30	
	2016	2017	2017	2018
Gross Profit Margin	23.0%	**26.8%**	39.3%	**36.7%**
Debt to Equity Ratio	5.89	**1.00**	1.79	**1.32**
EBITDA	756	**1,295**	724	**1,093**
EBITDA Margin	46.2%	**33.1%**	47.1%	**40.2%**
ROE (%)	6.4%	**2.2%**	3.5%	**2.6%**

Notes:

(1) Gross profit ratio is derived by dividing gross profit by revenues.

(2) Debt to equity ratio is computed by dividing total liabilities by total equity.

(3) EBITDA is computed as net income, excluding interest income, before interest expenses, provision for income taxes, depreciation and amortization. The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2016 and 2017 and period ended June 30, 2017 and 2018:

	December 31		June 30	
	2016	2017	2017	2018
	(₱millions)		(₱ millions)	
Net Income	131	**161**	278	**354**
Add:				
Tax Expense (income)	4	(**114**)	32	**5**
Interest Expense	164	**508**	172	**292**
Depreciation and amortization	458	**745**	242	**449**
Less:				
Interest Income	(0)	(**5**)	(1)	(**7**)
EBITDA	756	**1,295**	724	**1,093**

(4) EBITDA margin is computed as EBITDA divided by Revenue.

(5) ROE is computed as Net Income divided by Average Equity (actual, not annualized).

RISK FACTORS

An investment in the Offer Shares involves a number of risks. Youshould carefully consider all the information contained in this Preliminary Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Our past performance is not a guide to our future performance. There may be a large difference between the buying price and the selling price of the Offer Shares and there is an additional risk of loss of investment when securities are purchased from smaller companies. For investors that deal in a range of investments, each investment carries a different level of risk.

Investors should carefully consider all the information contained in this Preliminary Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have an adverse effect on our business prospects, financial condition, results of operation, the market price of the Offer Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Offer Shares could be lost.

The means by which we intend to address the risk factors discussed herein are principally presented under"Business" beginning on page 76, "Management's Discussion and Analysis of Financial Condition and Results of Operations beginning on page55,and"Board of Directors and Senior Management - Corporate Governance" on page 120of this Preliminary Prospectus. We believe that our efforts to manage the risks relating to our business will help to alleviate the risks relating to the Philippines that we have not specifically addressed.

This risk factors discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information about us from the Philippine SEC. An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of this Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult his or her own counsel, accountant and other advisors as to the legal, tax, business, financial and related aspects of an investment in the Shares.

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

Risks Relating to Our Business

The Company may experience difficulty in implementing its growth strategy.

The Company may experience difficulty in implementing its growth strategy brought about by unsuccessful expansion through acquisition and failure of existing vessels to benefit from the current favourable economic environment. In addition, new vessels may place a greater burden on its existing resources and adversely affect its business as it faces the risk of market saturation brought about by increased competition from other shipping companies in the Philippines. The Company has conducted its due diligence of other shipping and logistics companies targeted for acquisition and thus, it is certain that the planned acquisition will be completed within the year subject to regulatory approval, specifically PCC. These acquisitions are subject to certain governmental approval such as by the Philippine Competition Commission, as may be necessary. The Company's vessels are newer, classed and better-maintained under its preventive maintenance program and thus, the Company is confident that customers will prefer to charter its vessels over that of the competitors.

Maritime vessels are the Company's primary assets and, during operation, are susceptible to maritime accidents.

Due to the nature of the shipping industry, the risk of collision is real. Collisions may result in extensive damage to a vessel's hull, increasing its susceptibility to taking on water, which may result in the integrity of the vessel being compromised or even result in a complete loss of the vessel, environmental pollution, loss of life and damage to properties. Furthermore, when vessels are docked, they are secured to the harbor by use of the anchor, and a rope tied between the ship's stern and the berth. In times of strong winds and constant rain, these harnesses may break, thereby risking the safety of the ship.

To mitigate these risks, the Company ensures that its crew members have undergone the necessary orientation and training seminars on operations and safety. Furthermore, crewmen are required to complete quarterly safety training seminars, and yearly assessments to promote the progressive enhancements of their skills. The Company also conducts drills to ensure crew safety and minimize damage to property and the environment. For the drydock of its vessels, the Company utilizes shipyards with vast drydocking/repair experience and which observe internationally-accepted standards of safety.

The Company's operations are susceptible to acts of piracy and terrorism.

The Company owns a variety of ships, including tankers, tug boats and RoPax. These ships are potential targets of maritime pirates and terrorists. The Company works closely with the Philippine Coast Guard, Philippine National Police and other government agencies, to obtain timely information relating to security risks to its vessels. The Company also maintains insurance policies with top insurance providers for its vessel fleet to shield the Company from losses arising from vessel damage, including war-risk coverage for vessels deployed at high-risk areas.

The Company has also organized its internal security department, which regularly assesses the security situation in the areas of operation and recommends measures to enhance the safety and security of the Company's vessels.

The Company's level of indebtedness may have a material adverse effect on its financial condition.

Due to the financing of vessels and working capital, the Company's borrowing remains elevated. Although CLC's strong operating cash flows are expected to be sufficient to service these obligations, risks arise if there is a general economic slowdown that may impact the Company's financial performance. This might affect the Company's ability to service its interest and debt obligations. The leverage also opens the Company to interest rate risks and potential restrictions from bank covenants that might limit the group's ability to pursue favourable business and investment opportunities. To mitigate this risk, the Company practices sound and prudent financial management to ensure a strong balance sheet and prompt settlement of obligations as they become due. Furthermore, the parent company may infuse additional capital in CLC to improve its gearing ratio. Currently, the Company's debt to equity ratio remains well-managed at 1.0x while its EBITDA improved by 71% from ₱756.2 million to ₱1,295 million.

The Company operates in a regulated industry and its business is affected by the development and application of regulations in the Philippines.

Continued compliance with, and any changes in, environmental laws and regulations may adversely affect its results of operations and financial condition. The Company may fail to fulfil the terms of licenses, permits and other authorizations, or fail to renew them on expiration.

To address this risk, the Company ensures to diligently adhere to and closely monitor compliance with the terms of its licenses, permits and other authorizations. The Company likewise employs competent legal and operating personnel who regularly liaise with the various government agencies to ensure compliance by the Company with changes in environmental laws and regulations and monitor renewal of its licenses and permits.

The Company's vessels are mechanical and are susceptible to breakdowns.

The Company's operations use mechanical vessels that are subject to regular mechanical wear and tear. The occurrence of mechanical failure can result in downtime and opportunity losses for the Company. To ensure that the Company's high service quality is maintained, the Company has a preventive maintenance system and drydocking program for its vessels. In the event of non-availability of its vessels, due to breakdown or other factors, the Company charters third party vessels to serve customer requirements.

The shipping industry is highly competitive.

In order to maintain its market competitiveness, the Company must provide reliable and efficient service to its clients. The Company continues to improve its manpower complement by employing experienced and competent officers and providing continuous training. The Company's clients prefer younger and well-maintainedvesselsand this necessitates significant capital expenditures by the Company on a regular basis. The Company has also formulated a re-fleeting plan and improved preventive maintenance system.

Volatility of fuel prices impacts the operations of the Company.

Fuel is a key component of shipping operations. In cases of significant increases in fuel prices, the Company may not be able to automatically pass on to its clients the effects of these increases. Thus, the Company's gross margins may be adversely affected, reducing its profitability. To mitigate this risk, the Company maximizes its affiliation with P-H-O-E-N-I-X Petroleum Philippines, Inc. through access to information on movement of global petroleum prices. This allows the Company to hedge prices for its fuel requirements necessary to protect its profitability.

Scarcity of technically-skilled officers and crew.

Based on the 2015 Overseas Employment Statistics of the Philippine Overseas Employment Administration, the Philippines deployed 2.34 million nationals for employment overseas, of which 22.19% are in the maritime industry. Of this number, 21.87% were employed by companies in the maritime industry. The Company's boat captains, engineers, and crewmen are prime candidates for overseas employment. Given the technical expertise and experience necessary in operating vessels, foreign companies seek to recruit personnel from the Philippine shipping industry.

Sourcing of officers and crew for its vessels is a challenge for the Company, as it has to compete with foreign shipping companies that offer superior compensation packages against which the Company's offer pales. To ensure the continuous supply of officers and crew, the Company offers a cadetship program for officers and ratings and has partnered with an established maritime training school.The

Company also periodically evaluates its employees' compensation packages and overall job satisfaction.

Difficulty of sourcing of vessels appropriate for our operations.

The Company currently sources most of its vessels, whether brand new or used, from suppliers in China, Japan and Korea. Delay in construction and delivery of these vessels may affect the Company's operational capacity. Sourcing of second-hand vessels is also becoming competitive. The Company has engaged the services of top shipbrokers in the region to assist in sourcing required vessels. The Company also maintains a pool of third party vessels readily available for hire to augment its fleet.

Possible inadequacy ofinsuranceand indemnity coverage.

The current insurance and indemnity coverage of the Company may not be sufficient to adequately cover its potential losses or indemnity claims. In such an event, the Company is exposed to additional expenses and cash outlays to fully settle such losses and claims. At present, the Company conducts a careful evaluation of its vessels to ensure that vessels are adequately covered by insurance. The key criteria that the Company employs in determining insurance coverage are age, area of operations of vessel, and results of conditional evaluation on vessels over 20 years.

Changes in legal and regulatory environment.

The Company is engaged in the shipping transport business. As a result, the Company is required to hold a wide range of business permits and licenses. Compliance with applicable laws and regulations involve certain compliance costs, the failure of which can lead to the imposition of fines and sanctions, including the revocation of permits and licenses necessary for the conduct of the Company's business and activities. As these laws and regulations change from time to time, tougher regulations may be imposed in the future which may affect the conduct of the Company's business and operations.

Moreover, there can be no assurance that current laws and regulations applicable to the Company will not increase the costs of operating its vessels and facilities above currently projected levels or require future capital expenditures. Although the Company endeavours to maintain compliance with applicable laws and regulations, the introduction or inconsistent application of, or changes in, the laws and regulations applicable to the Company's business could have a material adverse effect on its business, financial condition and results of operations. To address the foregoing risks, the Company, in conjunction with industry associations such as the Philippine Shipping Vessel Owners Association Inc. (**"PHILSVOA"**) and Visayas Association of Ferry Boats and Coastwise Service Operators (**"VAFCSO"**), is actively engaged in policy advocacy causes for the promotion and development of the shipping transport industry in the country, tackling regulatory and policy issues and concerns faced by the industry and working to strengthen industry-government partnerships.

Further, the Company employs competent legal and operating personnel, who regularly liaise with the various government agencies to ensure compliance by the Company with new regulations and exercise the requisite due diligence with respect to protecting the Company's business, financial condition, and results of operations from the aforementioned risks while still complying with the applicable laws and regulations. In addition, the Company on a case-to-case basis engages external counsel to provide specialized legal advice and service.

All proposed acquisitions by the Company of other shipping and logistics companies have to be approved by the Philippine Competition Commission (PCC)

Republic Act No.10667 – "An Act Providing for a National Competition Policy Prohibiting Anti-Competitive Agreements, Abuse of Dominant Position and Anti-Competitive Mergers and Acquisitions, Establishing the Philippine Competition Commission and Appropriating Funds Therefor", was approved on July 21,2015.

Pursuant to R.A.No.10667 and its Implementing Rules and Regulations, the parties to any proposed merger or acquisition must notify the PCC if the transation exceeds the prescribed threshold amount of P1B for the Size of Person (assets or revenues of the parties) and on the Size of Transaction (value of assets or revenues of the party to be acquired). In the evaluation of the proposed merger or acquisition, the PCC will determine if the same substantially prevents, restricts or lessens competition in the relevant market or in the markets for goods or services as determined by the PCC.

In Memorandum Circular No.18-001 issued on March 1, 2018, the PCC adjusted the threshold amounts on the Size of Person and Size of Transaction for compulsory notification from the original P1B to P 5B for the Size of Person, and from the original P 1B to P 2B for the Size of Transaction. These threshold amounts shall be adjusted annually commencing on March 1, 2019 using as index the Philippine Statistics Authority's official estimate of the nominal Gross Domestic Product growth of the previous calendar year rounded up to the nearest hundred millions.

The PCC conducts a 2-phase assessment of a notified merger or acquisition, where Phase 1 review has a maximum period of 30 days from complete notification and payment of the filing fee, and Phase 2 review, when necessary, is for a maximum period of 60 days. At the end of the Phase 1 or Phase 2 reveiw process, the PCC may decide to (i) approve the merger or acquisition; (ii) prohibit the merger or acquisition; or (iii) approve the merger or acquisition subject to conditions that it considers appropriate to remedy, mitigate of prevent the substantial lessing of competition arising from the merger.

Risks Relating to the Philippines

The Philippine economy and business environment may be disrupted by political or social instability.

The Philippines has experienced severe political and social instability, including acts of political violence. In 2001, allegations of corruption against former President Joseph Estrada resulted in protracted impeachment proceedings against him, and his eventual resignation. On July27, 2003, over 270 military officers and soldiers conducted an unsuccessful coup d'état against Estrada's successor, President Gloria Macapagal-Arroyo, due to allegations of corruption. On February24, 2006, another attempted *coup d'état* led President Arroyo to issue Proclamation 1017, portions of which were however declared unconstitutional by the Supreme Court of the Philippines. On November29, 2007, Antonio Trillanes IV, a leader of the 2003 coup d'état who was elected to the Senate while in jail, led an armed occupation by military officers and soldiers of a luxury hotel in the Makati financial district and publicly called for President Arroyo's ouster. Senator Trillanes and his troops later surrendered.

On November23, 2009, in the southern island of Mindanao's Maguindanao Province, approximately 100armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them. President Arroyo sent hundreds of troops to and declared martial law over Maguindanao after the incident, the declaration of which has subsequently been lifted. On December12, 2011, the Philippine House of Representatives initiated impeachment proceedings against Renato Corona, Chief Justice of the Supreme Court of the Philippines on charges of improperly issuing decisions that favoured former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. The trial of Chief Justice Corona began in January 2012 and on May 29, 2012, the impeachment court found Corona guilty of failing to disclose to the public his statement of assets, liabilities and net worth and removed Corona from his position as Chief Justice of the Supreme Court of the Philippines.

More recently, on September 2, 2016, a night market in Davao City was bombed killing at least 14 people and injuring more than 60 people. Also, more than 1,000 alleged drug dealers and users have been in killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

In June 2018, the Supreme Court ruled with finality that then Chief Justice Maria Lourdes Sereno was not qualified to sit as Justice of the Supreme Court for failure to file statements of assets, liabilities and net worth and removed her from office in *quo warranto* proceedings.

There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the economy of the country and could materially and adversely affect our business, prospects, financial condition and results of operations.

Acts of terrorism in the Philippines could destabilize the country and could have a material adverse effect on our business, prospects, financial condition and results of operations.

The Philippines has been subject to a number of terrorist attacks since 2000. The Philippine army has been in conflict with the Abu Sayyaf organization, which has been identified as being responsible for kidnapping and terrorist activities in the Philippines and is said to have links to Al-Qaeda and ISIS. Moreover, isolated bombings have taken place in the Philippines, mainly in cities in the southern part of the country, such as the Province of Maguindanao.

The Government and the Armed Forces of the Philippines (**"AFP"**) have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front (**"MILF"**), the Moro National Liberation Front (**"MNLF"**) and the New People's Army (**"NPA"**). On January 25, 2015, 44 members of the Special Action Force of the Philippine National Police were killed in an operation intended to capture or kill wanted Malaysian terrorist and bomb-maker Zulkifli Abdhir and other Malaysian terrorists and/or high-ranking members of the Bangsamoro Islamic Freedom Fighters and the MILF. On May 23, 2017, a firefight between the government troops and the Maute group took place in Barangay Malutlut, Marawi City after a joint operation of the Armed Forces of the Philippines and Philippine National Police was launched in Marawi City to capture terrorist leader Isnilon Hapilon. Hapilon is believed to be the Islamic State's (**"ISIS"**) leader in Southeast Asia.By the end of the day, President Rodrigo Duterte declared martial law in the entire Mindanao. The Marawi incident was resolved in October 2017 with the government regaining control of the territory.However, the entire Mindanao remains to be under martial law until the end of 2018.

Risks Related to Maritime Terrorism and Piracy

The vast and largely unguarded seas in the southern part of the country are an area that terrorists and pirates actively seek to pursue their moneymaking activities. The Philippines has been identified as among countries increasingly under threat from maritime terrorist attacks. International Maritime Bureau (**"IMB"**) has also identified Manila as among 26 city ports and anchorages vulnerable to such attacks.

On October 3, 2012, in Surigao del Norte Province, the communist NPA, attacked three (3) mining companies and burned equipment, vehicles, and facilities of Taganito Mining Corporation, Taganito HPAL Nickel Corporation and Platinum Group Metals Corporation in the town of Claver. These NPA rebels, disguised as Philippine military men, also bombed M/V Con Carrier 7, which is a cargo ship of Aleson Shipping docked at Taganito Mining Port, after ordering 19 crew members to disembark the ship before it was bombed.

On March23, 2017, two officers of Super Shuttle 9 were seized aboard a tugboat. Joint forces of the Philippine military, police and local government of Basilan rescued both victims four days after. The bandit group reportedly released the officers due to intense military pressure against them. One Abu Sayyaf member was reportedly killed during the search and rescue operations conducted.

On February 16, 2018, a number of armed men attacked MV Kudos 1, a Manila-bound cargo vessel in the waters off Sibago Island in Basilan, in an attempt to abduct crew members for ransom. The crew repelled the attack by splashing boiled water mixed with oil against the gunmen. In retaliation, the attackers open fired at the vessel that was carrying assorted steel bars. Two (2) crew members suffered injuries and the crew members were able to call for help from authorities until the armed men fled.

To date, the Abu Sayyaf Group is responsible for the most destructive maritime terrorist act in modern history: the bombing attack on Super Ferry 14 in Manila Bay in February 2004, which killed 116 people. In order to formulate and implement effective countermeasures, policymakers must be able to distinguish maritime terrorism from piracy. The Coast Guard is responsible for the maritime security in the country.

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

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea (**"UNCLOS**"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China's presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under UNCLOS. Despite the Chinese Government's decision not to participate in the proceedings, a five-member arbitral tribunal was constituted (the "Tribunal").

Last July 2016, the Tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's "nine-dash line" claim is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese

Government. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted, and our operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. China may also seek to suspend visits by Chinese citizens to the Philippines, or Chinese citizens may choose not to the visit the Philippines as a result of these disputes.

In early March 2013, several hundred-armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Since then, the Malaysian Government has mounted a military operation to secure Lahad Datu, and Malaysian authorities continue to search for members of the Sultan of Sulu's army, which are suspected to be hiding in certain villages. Clashes that began on March 1, 2013 killed 98 Filipino-Muslims, and 10 Malaysian policemen. About 4,000 Filipino-Muslims working in Sabah have returned to the southern Philippines. Recent reports in the press quoted the Malaysian Defence Minister stating that at least 35 armed men were shot dead by the AFP while trying to enter Sabah, which has not been confirmed by the AFP. Any such impact from these disputes could materially and adversely affect our business, financial condition and results of operations.

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may adversely affect the Philippine economy and disrupt the Company's operations.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes. In the past, these events have affected our operating results. There can be no assurance that the occurrence of such catastrophes will not materially disrupt our operations in the future. We could experience property loss as a result of any such catastrophes and might not be able to rebuild or restore operations immediately. We maintain third-party insurance covering hull and machinery breakdown and natural disasters such as fires, floods, typhoons and earthquakes, but we do not maintain business interruption insurance. Therefore, the occurrence of natural or other catastrophes or severe weather conditions could have an adverse effect on our business, financial condition and results of operations.

In 2003, Taiwan, the People's Republic of China, Singapore and other countries experienced an outbreak of Severe Acute Respiratory Syndrome (**"SARS"**), which adversely affected the economies of many countries in Asia, including the Philippines. In addition, since late 2003, a number of countries in Asia, including the Philippines, as well as countries in other parts of the world, had confirmed cases of the highly pathogenic H5N1 strain of the avian influenza virus in birds. These cases severely affected the poultry and related industries and resulted in the death or culling of large stocks of poultry. In addition, certain countries in Southeast Asia have reported cases of bird to human transmission of avian influenza resulting in numerous human deaths. In 2009, a new strain of the H5N1 influenza virus, known as swine flu, was found to have been transmitted to humans. Following an initial outbreak in Mexico, swine flu has been contracted by humans around the world, including Southeast Asia, causing death in some instances. The contagious nature and global reach of this disease led the World Health Organization to describe the outbreak as a pandemic.

Avian influenza, swine flu and SARS outbreaks have adversely affected, and any future outbreaks of these diseases or other contagious diseases could adversely affect, the Philippine economy and economic activity in the region and could have an adverse effect on our business, prospects, financial condition and results of operations.

As our operations are concentrated in the Philippines, any downturn in general economic conditions in the Philippines could have a material adverse impact on our business operations.

A substantial portion of our revenue is sourced from the Philippines and for this reason our operations, financial condition and business prospects are subject to a significant degree to the general state of the Philippine economy. In the past, the Philippines experienced periods of slow or negative growth, high inflation, significant devaluation of the Peso and the imposition of exchange controls. In addition, the global financial, credit and currency markets have, since the second half of 2007, experienced and may continue to experience, significant dislocations and liquidity disruptions. Slowdown in the economies of the United States, the European Union and certain Asian countries have affected, and may adversely affect in the future, economic growth in the Philippines.

At present, majority of the Company's long-term liabilities are locked-in at fixed rates in the next ten (10) to fifteen (15) years. Hence, the expected continued upward movement of interest rates would only affect the short-term facilities which comprise less than 5% of the Company's existing liabilities.

While the Company shall continue to adopt prudent policies to protect its operations and finances, any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect our financial condition and results of operations, and our ability to implement our business strategy and expansion plans.

***Shareholders may be subject to limitations on minority shareholders' rights*.**

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those that are available in certain other countries, such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries. The Philippine Corporation Code provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds of our outstanding capital stock is required. The Philippine Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions, while permitted under the Philippine Corporation Code and governed by the Interim Rules of Procedure Governing Intra-Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The credit ratings of the Philippines may restrict the access to capital of Philippine companies.

Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. The Philippines' long-term foreign currency-denominated debt was rated investment-grade rating of BBB Stable in December 2017 by Fitch, investment-grade rating of BBB Stable in April 2017 by Standard& Poor's, and investment-grade rating of Baa2 Stable in June 2017 by Moody's. However, no assurance can be given that Fitch, Moody's, Standard & Poor's or any other international credit rating agency will not downgrade the credit ratings of the Government in the. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Issuer, to raise additional financing, and on the interest rates and other commercial terms at which such additional financing is available.

Investors may face difficulties enforcing judgments against CLC.

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

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

Risks Related to the Offer and the Offer Shares

The Preferred Shares may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Preferred Shares, the merits and risks of investing in the Preferred Shares and the information contained in this Preliminary Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Shares and the impact the Preferred Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Preferred Shares, including where the currency for principal or dividend payments is different from the currency of the potential investor;
- understand thoroughly the terms of the Preferred Shares and be familiar with the behavior of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Company's Sharesar subject toPhilippineforeignownershiplimitations

The Philippine Constitution and Philippine statutes restrict the ownership of private lands to Philippine Nationals. The term Philippine National, as defined under the Foreign Investments Act or Republic Act No. 7042, as amended, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of Philippine nationals.

Considering the foregoing, as long as the Company or any of the Subsidiaries owns land, foreign ownership in the Company shall be limited to a maximum of 40% of the Company's total issued and outstanding capital stock entitled to vote in the election of directors and total issued and outstanding capital stock, whether or not entitled to vote. Accordingly, the Company cannot allow the issuance or the transfer of Shares to persons other than Philippine Nationals and cannot record transfers in the books of the Company if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign land ownership discussed above. This restriction may adversely affect the liquidity and market price of the Shares to the extent international investors are not permitted to purchase Shares in normal secondary transactions.

Redemption at the option of the Issuer

The Preferred Shares are perpetual and have no fixed final maturity date. Holders have no right to require the Company to redeem the Preferred Shares at any time and they can only be disposed of by sale in the secondary market. Holders who wish to sell their Preferred Shares may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Preferred Shares. Therefore, holders of the Preferred Shares should be aware that they may be required to bear the financial risks of an investment in the Preferred Shares for an indefinite period of time.

The sale of the Preferred Shares or any rights thereto prior to the listing of the Preferred Shares cannot be made through the PSE. The Company has filed an application for the listing of the Preferred Shares on the PSE.

Prior to the listing of the Preferred Shares with the PSE, the sale of subscription rights to the Preferred Shares may be treated as sale of shares and subject to documentary stamp tax, capital gains tax (on any gain derived from the sale thereof) or donor's tax (in case of donation or sale of the subscription rights to the Preferred Shares for a price below the fair market value of the subscription rights).

Volatility of market price of the Preferred Shares

The market price of the Preferred Shares could be affected by various factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed stocks, in general, and stocks of other conglomerates;
- changes to government policy, legislation or regulations; and
- general operational and business risks.

In addition, many of the risks described within this section could materially and adversely affect the market price of the Preferred Shares.

Additional Taxes

The sale, exchange or disposition of the Preferred Shares after the Offer Period, if made outside the facilities of the PSE is subject to capital gains tax and documentary stamp tax, and if made through the facilities of the PSE (except for a dealer in securities) is subject to stock transaction tax. Changes in laws, rules and regulations may result in additional taxes on the acquisition, disposition, or transfer of the Preferred Shares. For a discussion on the taxes currently imposed by the Bureau of Internal Revenues of the Philippines ("BIR"), please refer to the section on "Taxation" on page 147of the Preliminary Prospectus.

Deferral of dividend payment

Dividends on the Preferred Shares may not be paid or the Company may pay less than full dividends, under the terms and conditions governing the Preferred Shares. Holders of the Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Company does not have retained earnings out of which to pay dividends.

Subordination to other indebtedness of the Company

The obligations of the Company under the Preferred Shares are unsecured and are subordinated obligations to all of the indebtedness of the Company. The rights and claims of holders of the Preferred Shares will (subject to the extent permitted by law) rank senior to the holders of the Common Shares of the Company and *pari passu* with the other preferred shares.

In the event of the winding-up of the Company, the Preferred Shares rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. There is a substantial risk that an investor in the Preferred Shares will not receive any return of the principal amount or any unpaid amounts due under the terms of the Offer unless the Company can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

There are no terms in the Preferred Shares that limit the ability of the Issuer to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Preferred Shares.

Insufficient distributions upon liquidation

Upon any voluntary or involuntary dissolution, liquidation or winding up of the Issuer, holders of Preferred Shares will be entitled only to the available assets of the Company remaining after the indebtedness of the Issuer is satisfied. If any such assets are insufficient to pay the amounts due on the Preferred Shares, then the holders of the Preferred Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

Subordination of payments to the Holders of the Preferred Shares

The Company has and will continue to have a certain amount of outstanding indebtedness. The current terms of the financing agreements of the Company contain provisions that could limit the ability of the Company to make payments to the holders of the Preferred Shares. Also, the Company may in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Preferred Shares. There can be no assurance that existing or future financing arrangements will not adversely affect the ability of the Company to make payments on the Preferred Shares.

Liquidity of the securities market

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Preferred Shares will always be active or liquid upon their listing on the PSE.

In addition, the Company and the Sole Issuer Manager and Bookrunner are not obligated to create a trading market for the Preferred Shares and any such market making will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a shareholder may be required to hold his Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Effect of non-payment of dividends

If dividends on the Preferred Shares are not paid in full, or at all, the Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Preferred Shares during such a period by a holder of Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Preferred Shares may be more volatile than that of other securities that do not have these limitations.

Inability to reinvest at a similar return on investment upon redemption

On the Optional Redemption Date or at any time redemption occurs, the Issuer may redeem the Preferred Shares at the Redemption Price, as described in "Description of the Securities." At the time of redemption, interest rates may be lower than at the time of the issuance of the Preferred Shares and, consequently, the holders of the Preferred Shares may not be able to reinvest the proceeds at a comparable interest rate or purchase securities otherwise comparable to the Preferred Shares.

Limited voting rights

Holders of Preferred Shares will not be entitled to elect the Board of Directors of the Company. Except as specifically set forth in the Amended Articles of Incorporation and as provided by Philippine law, holders of Preferred Shares will have no voting rights (see "Description of the Shares" on page 136).

USE OF PROCEEDS

Assuming full exercise of the Oversubscription Option, the Company expects to raise gross proceeds amounting up to Five Billion Pesos (₱5,000,000,000.00) and the net proceeds are estimated to be at least Four Billion Nine Hundred Thirty Million Eight Hundred Fifty-Seven Thousand Three Hundred Seventy Five Pesos (₱4,930,857,375.00) after deducting fees and expenses payable for the Offer payable by uses shown below.

Table 1: Offer Proceeds and Expenses from a Fully Exercised Oversubscription Option

Particulars	Estimated Amounts (₱ million)
Total Proceeds from the Offer	**5,000**
Estimated Expenses:	
Underwriting and selling fees for the Preferred Shares (including fees to be paid to the Sole Issue Manager and Bookrunner)	52.7
SEC registration and legal research fees	1.8
PSE registration and listing fees	5.7
Estimated professional fees (including legal, accounting, and financial advisory fees)	6.8
Documentary Stamp Taxes	0.1
Other Expenses	2.2
Total Estimated Expenses	**69.1**
Estimated Net Proceeds from the Offer	**4,930.9**

Assuming the Oversubscription Option is not exercised, the Company expects to raise gross proceeds amounting up to Three Billion Pesos (₱3,000,000,000.00) and the net proceeds are estimated to be at least Two Billion Nine Hundred Fifty Four Million Six Hundred Eighty Two Thousand Three Hundred Seventy-Five Pesos (₱2,954,682,375.00) after deducting the applicable underwriting fees, costs and expenses for the Offer payable by uses shown below.

Table 2: Offer Proceeds and Expenses without the Exercise of the Oversubscription Option

Particulars	Estimated Amounts (₱ million)
Total Proceeds from the Offer	**3,000**
Estimated Expenses:	
Underwriting and selling fees for the Preferred Shares (including fees to be paid to the Sole Issue Manager and Bookrunner)	31.6
SEC registration and legal research fees	1.3
PSE registration and listing fees	3.4
Estimated professional fees (including legal, accounting, and financial advisory fees)	6.8
Documentary Stamp Taxes	0.0
Other Expenses	2.2
Total Estimated Expenses	**45.3**
Estimated Net Proceeds from the Offer	**2,954.7**

Table 3: Use of Net Proceeds from a Fully Exercised Subscription Option

	Use of Proceeds	Estimated Amounts (₱ million)	%to Net Proceeds	Estimated Timing of Disbursement
i.	Acquisition of other shipping and logistics companies	2,000.0	40.56%	2018-2019
ii.	Acquisition of land and development of logistics facilities	1,182.1	23.98%	2018-2019
iii.	Acquisition of additional vessels and vessel equipment	1,610.0	32.65%	2018-2019
iv.	Acquisition of container vans, and delivery equipment	120.0	2.43%	2018
v.	General corporate purposes	18.8	0.38%	2018
Estimated Net Proceeds		**4,930.9**	100.00%	

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Preliminary Prospectus for convenience only.

Assuming full exercise of the Oversubscription Option, approximately 40.56% of the net proceeds or ₱2,218,000,000 from the sale of Offer Shares will be used to fund the acquisition of shipping and logistics companies, through a purchase of shares in such companies. This includes the acquisition of a company that provides shipbuilding and repair services, servicing vessels from large container vessels to military patrol boats and even sail boats and catamarans. The Company also plans to acquire companies engaged in passenger and cargo operations.

The Company recently disclosed PCC's approval of Starlite Ferries, Inc.'s (a wholly-owned subsidiary of CLC) proposed acquisition of Southwest Gallant Ferries, Inc. (SGFI) and Southwest Premier Ferries, Inc. (SPFI).SGFI is a local shipping company, with an asset consisting of an option to purchase one (1) brand-new RoPax vessel. On the other hand, SPFI is a local shipping company that currently owns one (1) RoPax vessel plying the route of Surigao to Liloan, Southern Leyte and back. The Company expects to complete the acquisition of SGFI and SPFI using aportion of the proceeds from the sale of Offer Shares.

A part of the proceeds or approximately ₱1,182,100,000 will be used to fully purchase and develop a 25,335 SQM property at Ligid Tipas, Taguig City, wherein additional multi-level logistics facilities of the Company will be constructed. To date, the Company has already made partial payments for the purchase of the land based on satisfaction of certain conditions precedent by the Sellers.

On the other hand, approximately 32.65% of the net proceeds or ₱1,610,000,000 from the sale of Offer Shares will be used to fund the acquisition of additional vessels and equipment.The Company is expecting the delivery of Ship No. S-1189 (to be named as MV Trans-Asia 19) on November 2018. This vessel is under a Shipbuilding Contract Agreement with Kegoya Dock Co. Ltd., and upon delivery, a significant portion of the contract price must be settled by CLC.

Similarly, on April 25, 2018, the Company entered intoadditionaltwo (2) shipbuilding contract agreements with Kegoya Dock Co. Ltd. for two (2) Ro-Ro type passenger ferries. The contract price for these vessels are payable in installments based on certain milestones. These vessels are estimated to be completed and delivered on April and November 2019.

In addition,the Company, through Fortis Tugs Corporation,also plans to acquire additional tugboats for deployment in Cebu, Davao, Villanueva, and Cagayan de Oro ports.

A part of the proceeds or approximately ₱120,000,000 will be used to develop facilities to support the core business of the Company. Thisprimarily pertains to the acquisition and/or upgrade of container vans and other terminal equipment to support the newly-acquired freighters. These equipment include but are not limited to prime movers, trailer beds, forklifts, and stackers.

Finally, thebalance of the net proceeds of the Offer in the amount of approximately ₱18,800,000 will be used for general corporate purposes, such as payment of trade payables relating to drydocking, bunkering, repairs and maintenance, fuel, and short-term working capital lines.

Table 4: Use of Net Proceeds without the Exercise of the Oversubscription Option

	Use of Proceeds	Estimated Amounts (₱ million)	%to Net Proceeds	Estimated Timing of Disbursement
i.	Acquisition of other shipping and logistics companies	2,000.0	67.69%	2018-2019
ii.	Acquisition of land for logistics facilities	912.1	30.87%	2018
iii.	General Corporate Purposes	42.6	0.86%	2018
Estimated Net Proceeds		**2,954.7**	100.00%	

Assuming the Oversubscription Option is not exercised; the Company will use 100% of its net proceeds or₱2,954,700,000 to finance the acquisition of other shipping and logistics companies and the acquisition of land for logistics facilities. The balance of which will be financed either through the Company's existing bank lines or the Company's internally generated cash.

The proposed use of proceeds described above represents best estimates of the use of net proceeds of the Offer based on our current plans and expenditures. Other than as described above, no part of the net proceeds from the Offer shall be used to acquire assets outside of the ordinary course of business, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. The actual amount and timing of disbursement of the net proceeds from the Offer for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of our expansion projects. Our cost estimates may change as we develop our plans, and actual costs may be different from our budgeted costs. To the extent that the net proceeds from the Offer are not immediately applied to the above purposes, we will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments, and/or repay existing debt. None of the proceeds will be used to pay for any debt owed to the Sole Issue Manager and Bookrunner.

In the event of any deviation, adjustment or reallocation in the planned use of proceeds, we shall inform the PSE in writing at least 30 days before such deviation, adjustment or reallocation is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by our Board of Directors and disclosed to the PSE. In addition, we shall submit via the PSE EDGE the following disclosure to ensure transparency in the use of proceeds:

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

2. Quarterly progress report on the application of the proceeds from the Offer on or before the first 15 days of the following quarter; the quarterly progress reports should be certified by the CLC's Chief Financial Officer or Treasurer and external auditor;

3. Annual summary of the application of the proceeds on or before January 31 of the following year, which will be certified by our Chief Financial Officer or Treasurer and external auditor; and,

4. Approval by our Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by CLC at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items 2 and 3 above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Preliminary Prospectus, if any. The detailed explanation must state the approval of our Board of Directors as required in item 4 above. We will submit an external auditor's certification of the accuracy of the information reported by us to the PSE in our quarterly and annual reports.

DETERMINATION OF OFFER PRICE

The Offer Price of ₱1,000.00 is at a premium to the par value of the Offer Shares, which is ₱1.00 per share. The Offer Price was arrived at by dividing the desired gross proceeds of ₱5,000,000,000.00, by the number of Offer Shares allocated for this Offering.

Prior to the Offer, there has been no public market for the Offer Shares.

DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation that have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the Philippine SEC. The approval of our Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends, which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, CLC may re-allocate capital among its subsidiaries depending on its business requirements.

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

CLC is allowed under Philippine laws to declare cash, property and stock dividends, subject to certain requirements. See "*Description of the Shares—Rights Relating to Shares—Dividend Rights.*" on page138of this Preliminary Prospectus.

Pursuant to existing Philippine SEC rules, cash dividends declared by corporations whose securities are registered or whose shares are listed in the stock exchange must have a record date not less than 10 days nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 days nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC. In case no record date is specified for the cash and stock dividend declaration, then the same shall be deemed fixed at 15 days from such declaration.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP. See "*Philippine Foreign Ownership and Foreign Exchange Controls*" on page 155of this Preliminary Prospectus.

Pursuant to the "Amended Rules Governing Pre-emptive and other Subscription Rights and Declaration of Stock and Cash Dividends" of the Philippine SEC, all cash dividends and stock dividends declared by a company shall be remitted to PDTC for immediate distribution to participants not later than 18 trading days after the record date (the **"Payment Date"**); provided that in the case of stock dividends, the credit of the stock dividend shall be on the Payment Date which in no case shall be later than the stock dividends' listing date. If the stock dividend shall come from an increase in capital stock, all stock shall be credited to PDTC for immediate distribution to its participants not later than 20 trading days from the record date set by the Philippine SEC, which in no case shall be later than the stock dividends' listing date.

Dividend History

CLC was only incorporated in 2016 and since its incorporation, no dividend has been declared. Its subsidiaries, however, have made the following dividend declarations:

Table 5: CLC Subsidiary Dividends

Amounts in ₱	2017	2016
Trans-Asia	114,000,000	-
QMSI	3,200,000	-
SSI	900,000	900,000
DCI	900,000	600,000

Dividend Policy

In accordance with the Corporation Code of the Philippines, a corporation, through its Board of Directors, has the authority to declare cash, property, and stock dividends or a combination thereof. For cash and property dividend declarations, only the approval of the Board is required. For stock dividend declarations, an approval of the Board as well as shareholders representing at least two-thirds (2/3) of the corporation's outstanding capital stock is required. Holders of outstanding shares on a dividend record date for such shares have the right to the full dividend declared without regard to any subsequent transfer of shares. In adherence with the Corporation Code, the corporation is only allowed to declare dividends out of its unrestricted retained earnings.

CLC has adopted a dividend policy of at least 20% of the prior year's recurring net income, based on the recommendations of the Board of Directors, subject to the existence of unrestricted retained earnings, CLC's financial condition, as well as requirements of applicable laws and regulations, the terms and conditions of our existing loan facilities, and the absence of circumstances that may restrict the payment of such dividends.

Each holder of a common share is entitled to such dividends as may be declared by the Board of Directors.

CLC's subsidiaries have not adopted a specific dividend policy.

Recent Sales of Unregistered or Exempt Securities

On March 27, 2017, Udenna Corporation entered into a Share Swap Agreement with CLC wherein Udenna transferred to CLC 18,200 shares, comprising one hundred percent (100%) of the issued and outstanding capital stock of UIBV to the Company. In exchange, CLCissued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna.

The foregoing additional issuance of the Shares is anexempt transactionunderSection10.1(e) of the SRC -sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

CAPITALIZATION

The following table sets out our debt, shareholders' equity and capitalization as of June 30, 2018and as adjusted to reflect the sale of Offer Shares at the Offer Price of ₱ 1,000.00 per Offer Share, assuming full exercise of the Oversubscription Option. The table should be read in conjunction with our audited financial statements and the notes thereto, included in this Preliminary Prospectus beginning on page F-1.

Table 6: Pre-Offer and Post-Offer Capitalization

	As Adjusted After Giving Effect to the Offer (in ₱million)	
	Pre-Offer June 2018 (Unaudited)	**Post-Offer (Unaudited)**
Long-Term Debt	**14,214**	**14,214**
Equity:		
Capital Stock	1,822	1,825
Additional paid-in capital	9,998	14,993
Reserves	410	410
Retained Earnings	1,340	1,340
Total Equity	**13,571**	**18,571**
Total Capitalization	**27,785**	**32,785**

SELECTED HISTORICAL FINANCIAL AND OPERATING INFORMATION

The following tables present summary audited combined historical financial information for the Company for the years ended December 31, 2016and2017and for the period ended June 30, 2017 and 2018 and should be read in conjunction with the independent auditors' reports and the Company's audited combined historical financial statements, including the notes thereto, included elsewhere in this Preliminary Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information below as of and for the years ended December 31,2016, and 2017 and six months ended June 30, 2017 and 2018 were derived from the Company's audited consolidated and combined historical financial statements, which were prepared in accordance with PFRS and were audited by Punongbayan & Araullo in accordance with the Philippines Standards on Auditing. The selected combined historical financial information below is not necessarily indicative of the results of future operations.

Income Statements Information

	For the 12 months ended December 31		For the 6 months ended June 30	
	(Audited)		(Unaudited)	
	2016	**2017**	**2017**	**2018**
	(₱ millions)		**(₱ millions)**	
NET SALES	**1,638**	**3,909**	**1,537**	**2,716**
COST OF SALES				
Depreciation and amortization	450	796	232	433
Bunkering	111	867	247	554
Charter hire fees	226	98	57	96
Crew costs and benefits	246	363	101	270
Others	228	738	297	365
	1,261	**2,862**	**933**	**1,718**
GROSS PROFIT	**377**	**1,047**	**604**	**998**
GENERAL AND ADMINISTRATIVE EXPENSES	**155**	**530**	**190**	**424**
OTHER (CHARGES) - NET	(86)	(365)	(104)	(215)
INCOME BEFORE PRE-ACQUISITION INCOME AND TAX	**135**	**153**	**310**	**359**
PRE-ACQUISITION INCOME	-	105	-	-
PROFIT BEFORE TAX	**135**	**48**	**310**	**359**
TAX EXPENSE (INCOME)	4	(114)	32	5
NET INCOME	**131**	**161**	**278**	**354**

Summary Statement of Financial Position

	December 31 (Audited)		June 30 (Unaudited)
	2016	2017	2018
	(₱ millions)		
Current Assets	2,634	6,922	8,441
Non - Current Assets	8,126	19,458	23,079
TOTAL ASSETS	**10,760**	**26,380**	**31,520**
Current Liabilities	6,614	6,101	10,560
Non - Current Liabilities	2,585	7,121	7,389
TOTAL LIABILITIES	**9,199**	**13,222**	**17,949**
TOTAL EQUITY	**1,561**	**13,158**	**13,571**
TOTAL LIABILITIES AND EQUITY	**10,760**	**26,380**	**31,520**

Summary Statement of Cash Flows

	December 31 (Audited)		June 30 (Unaudited)	
	2016	2017	2017	2018
	(₱ millions)			
Net cash provided by (used in) operating activities	(572)	(2,149)	(5,334)	45
Net cash used in investing activities	(2,985)	(3,950)	(499)	(3,932)
Net cash provided by (used in) financing activities	3,865	6,824	5,696	3,541
Effect of exchange rate changes on cash and cash equivalent	5	27	3	(25)
Net increase (decrease) in cash and cash equivalent	**312**	**753**	**(134)**	**(371)**
Cash and cash equivalents from acquired subsidiaries	166	180	-	-
Cash and cash equivalents at beginning of year	31	509	509	1,442
Cash and cash equivalents at end of year	**509**	**1,442**	**375**	**1,071**

Number of Vessels

	As of December 31		As of June 30
	2016	2017	2018
Tankers	11	11	12
Barges	4	4	4
Tugboats	6	9	14
Ro-Ro/RoPax	7	28	30
Cargo	3	13	16
Fastcrafts	0	10	11
Floating Dock	0	0	1
Total	**31**	**75**	**88**

Key Performance Indicators

	For the years ended December 31		For the six months ended June 30	
	2016	2017	2017	2018
Gross Profit Margin	23.0%	**26.8%**	39.3%	**36.7%**
Debt to Equity Ratio	5.89	**1.00**	1.79	**1.32**
EBITDA	756	**1,295**	724	**1,093**
EBITDA Margin	46.2%	**33.1%**	47.1%	**40.2%**
ROE (%)	6.4%	**2.2%**	3.5%	**2.6%**

Notes:

(1) Gross profit ratio is derived by dividing gross profit by revenues.

(2) Debt to equity ratio is computed by dividing total liabilities by total equity.

(3) EBITDA is computed as net income, excluding interest income, before interest expenses, provision for income taxes, depreciation and amortization. The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2016 and 2017 and period ended June 30, 2017 and 2018:

	December 31		June 30	
	2016	2017	2017	2018
	(₱ millions)		(₱ millions)	
Net Income	131	**161**	278	**354**
Add:				
Tax Expense (income)	4	(**114**)	32	**5**
Interest Expense	164	**508**	172	**292**
Depreciation and amortization	458	**745**	242	**449**
Less:				
Interest Income	(0)	(**5**)	(1)	(**7**)
EBITDA	756	**1,295**	724	**1,093**

(4) EBITDA margin is computed as EBITDA divided by Revenue.

(5) ROE is computed as Net Income divided by Average Equity (actual, not annualized).

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

The following is a discussion and analysis of the Company's consolidated financial condition and results of the operations as of and for the periods ended December 31, 2016 and 2017 and for the period ended June 30, 2017 and 2018, and certain trends, risks and uncertainties that may affect the Company's business.

Prospective investors should read this discussion and analysis of our financial condition and results of operations in conjunction with the audited financial statements and audited combined historical financial statements and the notes thereto set forth elsewhere in this Preliminary Prospectus.

Our audited financial statements as of and for the periods ended December 31, 2016, and 2017,included in this Preliminary Prospectus were prepared in compliance with PFRS.

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

Overview

CLC is a corporation organized and registered with the Philippine SEC on August 26, 2016 as Chelsea Shipping Group Corp. primarily to act as a holding company. On December 21, 2016, the Philippine SEC approved its change in corporate name to Chelsea Logistics Corp. Subsequently, on June 27, 2017, the Philippine SEC again approved the Company's change in corporate name to Chelsea Logistics Holdings Corp.

CLC, through its subsidiaries and associates, is engaged in the shipping transport and logistics business, described in detail as follows:

1. Chelsea Shipping Corp., incorporated on July 17, 2006, and which began commercial operations on January 1, 2007, is engaged in the maritime conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbors, and other waterways in the Philippines.

2. Trans-Asia Shipping Lines, Incorporated, incorporated on March 25, 1974, is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas. The acquisition by the Company of Trans-Asia Shipping and its subsidiaries was completed in the last quarter of 2016.

3. WorkLink Services, Inc., established in June 2, 1994, provides domestic logistics solution for various local industries. Its services include courier, trucking, warehousing, and special account management handling. The Company completed its acquisition of WorkLink Services in November 2017.

4. Starlite Ferries, Inc., incorporated on August 25, 1994, is engaged in the general business of domestic shipping to own and operate any class, type or description for domestic trade, to charter in and out any such vessels. SFI is one of the dominant shipping companies in the Batangas – Calapan and Roxas – Caticlan trade routes. The Company completed its acquisition of Starlite Ferries in November 2017.

5. 2Go Group, Inc., formed and organized in May 26, 1949, is an integrated transport solutions provider. 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). The Company accounts for its investment in 2Go as an investment in an associate, in accordance with PAS 28, *Investment in an Associate*.

CSC's wholly-owned subsidiaries are engaged in the following businesses:

1. PNX-Chelsea Shipping Corp., incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.

2. Fortis Tugs Corporation, incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. Davao Gulf Marine Services Inc., a wholly-owned subsidiary of FTC, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

3. Michael, Inc., incorporated on December 26, 1957, is engaged in the business of acquiring and operating floating equipment for charter or hire, and for conveyance and carriage of goods, wares and merchandise of every description in the Philippine coastwise traffic.

4. Bunkers Manila, Incorporated, incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.

5. Chelsea Ship Management & Marine Services Corp., incorporated on March 30, 2012, and which began commercial operations on August 15, 2012, is engaged in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

6. Chelsea Marine Manpower Resources Inc., incorporated on June 9, 2016, and which began commercial operations on August 1, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

7. Chelsea Dockyard Corp., incorporated on January 8, 2018, is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.

8. CD Ship Management & Marine Services Corp., incorporated on March 14, 2018, is engaged in in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

CSC, and its subsidiaries BMI, MI and PNX-Chelsea, provide four (4) types of charter services, namely, voyage charter, time charter, bareboat charter and continuing voyage charter, described as follows:

1. Voyage Charter

   The hiring of a vessel and crew for a voyage between a loading port and a discharging port. The charterer pays the vessel owner on a per-tenor lump-sum basis. The owner pays the port costs (excluding stevedoring), fuel costs and crew costs. The payment for the use of the vessel is known as freight. A voyage charter specifies a period, known as laytime, for unloading the cargo. If laytime is exceeded, the charterer must pay demurrage. If laytime is saved, the charter party may require the shipowner to pay dispatch to the charterer, if applicable.

2. Time Charter

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

3. Bareboat Charter

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

4. Continuing Voyage Charter

   The same as Voyage Charter except that this is exclusive for chartered vessels.

On the other hand, Trans-Asia Shipping's wholly-owned subsidiaries are engaged in the following businesses:

1. Oceanstar Shipping Corporation, incorporated on July 6, 2016, is engaged in the business of domestic shipping for the transportation of passengers and cargoes within Philippine territorial seas and/or in high seas.

2. Starsy Shoppe, Inc., incorporated on March 31, 2005, is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

3. Dynamic Cuisine, Inc., incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, bars, and in making, cooking, arranging, serving and catering goods, drinks, refreshments and other food or commodities commonly served in such establishments.

4. Quality Metal & Shipworks, Inc., incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.

The Company generated total revenues of ₱1.638 billion and ₱3.909 billion for the years ended December 31, 2016 and 2017 and net income of ₱132 million and ₱161 million for the same periods. For the six months ended June 30, 2017 and 2018, the Company generated total revenues of ₱1.537 billion and ₱2.716 billion, respectively, and net income of ₱278 million and ₱354 million for the same periods. Shown below is the breakdown contribution of each revenue stream.

	For the years ended December 31 (Audited)		**For the six months ended June 30 (Unaudited)**	
	2016	**2017**	**2017**	**2018**
Freight fees…………	-	**35%**	28%	**31%**

	For the years ended December 31 (Audited)		For the six months ended June 30 (Unaudited)	
	2016	2017	2017	2018
Charter fees…………	87%	**31%**	44%	**35%**
Passage fees………..	-	**20%**	17%	**20%**
Tugboat fees……….	7%	**7%**	8%	**7%**
Logistics services…	-	**6%**	0%	**5%**
Others………………..	6%	**1%**	3%	**2%**

On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna Corporation, wherein Udenna Corporation transferred to CLC 18,200 UIBV shares. In exchange, CLC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna Corporation.UIBV was incorporated on August 25, 1994 and is a private limited liability company organized under the Dutch Law. UIBV owns 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008. KGLI-NM was incorporated and registered with the Philippine SEC primarily as an investment holding company and holds 39.85% economic interest in Nenaco. KGLI-NM acquired such interests in Nenaco on May 13, 2008. Nenaco, in turn owns 88.31% of 2Go, having acquired its interests in 2Go on December 28, 2010. Hence,in accordance with PCC approval, CLC has a 28.15% indirect economic interest in 2Go. Nenaco and 2Go are the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

In 2017, 2GO has restated its 2015 and 2016 consolidated audited financial statements. These, however, do not impact CLC's acquisition of the indirect ownership in 2GO as the valuation was based on the forward-looking EBITDA of 2GO.The restatements are non-cash and non-recurring in nature, hence, have no effect on 2GO's EBITDA.

At the Annual Stockholders' Meeting of 2GO held on April 5, 2018, the stockholders approved the internal restructuring involving the merger of 2GO and Nenaco with 2GO as the surviving entity, subject to the final decision and approval of the terms of the merger by the Board of Directors. The objective of this merger is to simplify the corporate structure and to develop efficiencies and economies within the Group. This is in line with 2GO's efforts to streamline operations, reduce costs, and increase shareholder value. The timetable for implementation of the merger shall be announced, when applicable, as the same is subject to regulatory approval of the Securities and Exchange Commission. Upon completion of this planned restructuring, the effective ownership of the Company in 2GO will be subject to change depending on the participation of the remaining public shareholders in the tender offer process.

On June 28, 2018, the Company received the PCC's decision declaring void its 2016 acquisition of Trans-Asia Shipping for failure to notify and secure PCC approval of such acquisition. At the time of Chelsea's acquisition of Trans-Asia in December 2016, the size of transaction threshold for compulsory notification to the PCC under the Rules and Regulations to Implement the Philippine Competition Act ("PCA IRR") was ₱1.0 Billion. The PCC ruled that a notification should have been filed because Trans-Asia, at the time of Chelsea's share acquisition, had gross assets of ₱1.1 Billion, a little over the threshold.

The Company's position is that notification to the PCC was not required since Trans-Asia's Net Asset Value ("NAV") at the time of the sale was significantly below the ₱1.0 Billion size of transaction threshold. Trans-Asia had substantial debts on its books which reduced its NAV to only ₱162 Million, not even half of such threshold. It will be recalled that, early in 2018 the PCC revised the PCA IRR to raise the size of transaction threshold to ₱2.0 Billion, citing as reason that transactions below this amount will not likely lead to a substantial lessening of competition.

On July 13, 2018, the Company filed a Motion for Reconsideration with the PCC for redress with regard to the PCC's voiding of the acquisition of Trans-Asia Shipping and the penalty of ₱22.8 Million for non-notification.

The PCC also issued another decision on June 28, 2018 regarding Chelsea's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO, which decision is dependent on the final outcome of the PCC's decision on the Trans-Asia shipping acquisition.

On July 18, 2018, the Company filed its Motion for Partial Reconsideration of the above KGLI-NM Decision wherein the Company prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

On September 5, 2018, the Company received the order of the PCC setting the TASLI and the KGLI-NM acquisitions for joint hearing on 17 September 2018. At said hearing, CLC Chairman Dennis A. Uy confirmed that CLC intends to acquire TASLI and that CLC agreed to be bound by the remedies or conditions of the PCC to address the competition concerns arising from the acquisition of TASLI.

On September 21, 2018, the Company and TASLI filed their separate Notification Forms on the TASLI acquisitionand onOctober 9, 2018, the Notice of Sufficiency from the PCC regarding said Forms was received. On October 14, 2018, the Company filed its Waiver of the Period for Phase 1 review and on October 19, 2018, the Company filed its Voluntary Commitments which are presently under review by the PCC.

On the earlier PCC Decision voiding the TASLI acquisition, the PCC in its Resolution dated October 4, 2018 ruled that the Motion for Reconsideration of said Decision is denied for being moot, and reduced the penalty earlier imposed to 1% of the TASLI transaction or P 11,427,007.72. The Company paid the reduced fine on October 10, 2018.

Factors Affecting our Results of Operations

The results of the Company's operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected our results in the past, and that we expect to affect our results in the foreseeable future. Factors other than those discussed below could also have a significant impact on our results of operation and financial condition in the future.

Our Fleet

The Company generates substantially all of its revenues from the operations of its vessels. Revenues are determined by the type of charter arrangement entered into by CSC and its subsidiaries. Passage revenues are based on the published tariff rates per passenger and route of the vessel. Freight revenues are generally based on a rate per cubic meter or weight of the cargo, whichever is higher, while rates for containerized cargo are based on a fixed rate per container.

Number of Vessels

	As of December 31		As of June 30
	2016	**2017**	**2018**
Tankers	11	11	12
Barges	4	4	4
Tugboats	6	9	14
Ro-Ro/RoPax	7	28	28
Cargo	3	13	16

Fastcrafts	0	10	11
Floating Dock	0	0	1
Total	**31**	**75**	**86**

The Company believes that fleet expansion is expected to be a key driver of its growth strategy.

CLC Charter Rates/ Direct Costs

CSC's charter rates are affected by the type of chartering agreements entered into. Below is the matrix of direct costs shouldered by the vessel owner for each type of charter arrangement.

Table 7: Charter Expenses

Direct Costs	Bareboat Charter	Time Charter	Continuing Voyage Charter	Spot Charter
Depreciation and amortization	√	√	√	√
Bunkering			√	√
Port expenses			√	√
Insurance		√	√	√
Repairs and maintenance		√	√	√
Crew costs and benefits		√	√	√
Vessel supplies		√	√	√
Outside services		√	√	√
Permits and licenses		√	√	√
Miscellaneous		√	√	√

Philippine macroeconomic conditions and trends

All of the Company's vessels, except for M/Tkr Chelsea Thelma and M/Tkr Chelsea Donatela, are currently located in the Philippines and, as a result, its operations are significantly affected, and will continue to be significantly affected, by macroeconomic conditions in the Philippines. Any deterioration in the Philippine economy may adversely affect demand for the Company's services by lesser movements of passage and cargo including charter arrangements.

Competition

A. Tankers

The transport of petroleum products is one of the most essential businesses that propel the growth of the Philippine economy. There are approximately 7,100 islands in the country, of which more than half are inhabited. The populace needs fuel for transportation, electrical power, farming and other activities. It is the oil tankers and trucks which make sure that fuel is transported to places in our country where and when it is needed.

The latest records of the Maritime Industry Authority ("**MARINA**") show that there are about 293 oil tanker vessels of different sizes in the country. Majority of these vessels are 500 GRT or below, and the rest are from about 501 GRT to 5,052 GRT. The aggregate tonnage of these tankers is about 310,292 GRT.

There are seven (7) major tanker owners in the Philippines, each owning four (4) or more vessels. These tanker owners account for a total of about 65 vessels and an aggregate tonnage of about 105,764 GRT.

There has also been a significant improvement in the quality of the tanker vessels plying Philippine waters. From old, single hull vessels, there has been a shift to double-hulled vessels designed for environmental protection/ pollution prevention.

Main competitors include:

1. Petrolift Group
2. Herma Shipping Group
3. Shogun Ships Co., Inc.
4. Via Marine
5. Magsaysay Group

B. Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing and towing them. These are especially useful in narrow & difficult waterways and crowded ports. Although tugboats are usually utilized for docking & undocking procedures, they also have a wide range of applications including vessel rescue and steering structures without an independent propulsion system. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

According to the latest records from the MARINA, there are 791 registered tugboats in the Philippines. More than half of these tugboats are less than 100 GRT. Majority of smaller GRT tugboats hold a Bay &River trading license from MARINA while bigger vessels hold a Coastwise license. The top two industry players in the tugboat industry account for more than 24% of the total tugboats over 100 GRT.

A growing economy is a positive outlook for the tugboat industry. Industry sales are directly correlated to the amount of trade a country undergoes, as servicing cargo vessels account for a big portion of the industry.

Main competitors in providing tugboat services include:

1. Harbor Star Shipping Services, Inc.
2. Malayan Towage and Salvage Corporation
3. Pilot-operated Tugs

C. RoPax

RoPax refers to vessels that can accommodate passengers along with freight vehicle transport. Given the archipelagic nature of the country, RoPax vessels are vital in transporting people & goods across the different islands. Given their accessibility and capability of ferrying large amounts of goods & manpower, passenger and freight vessels are an integral part of the logistical backbone of the Philippines.

There are more than 7,100 RoRo and Passenger vessels registered with the MARINA. A large majority of this (98%) is less than 500 GRT and is personally owned. The largest industry players for commercial vessels account for more than a third of the aggregate tonnage of 355,773.

Main competitors include:

1. Asian Marine Transport Corporation

2. Cokaliong Shipping Lines, Inc.
3. Lite Shipping Corporation
4. Montenegro Shipping Inc.
5. Archipelago Philippine Ferries Corporation

Seasonality

The RoPaxsegment transports passengers and cargoes within Philippine territorial waters and/or in the high seas. Due to the seasonal nature of this segment, higher passage revenues and operating profits are usually experienced in the summer months of the year (March, April and May), school holidays (October and November)and Christmas holidays (December and January) rather than in the other months of the year. Freight revenues, on the other hand, are higher at the last quarter of the year rather than in the early months.

The seasons of the year have no or little effect on the operations of the tanker and tugboat segments.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of our financial condition and results of operations and, (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how our management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified the significant accounting judgments, estimates and assumptions below and those discussed in Note 3 to our audited consolidated financial statements included elsewhere in this Preliminary Prospectus. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies, as well as the significant accounting judgments, estimates, and assumptions discussed in Notes 2and 3 to our audited consolidated financial statements warrant particular attention.

Depreciation of Property and Equipment

Tankers, RoPax vessels and tugboats are stated at their fair values less accumulated depreciation and amortization. All other items of property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the property and equipment.

The useful lives of property and equipment are estimated based on the economic lives of the property and equipment and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment are reviewed at reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Consistent with the practice of the Company's peers in the industry, the useful lives of property and equipment for the year ended December 31, 2017 are as follows:

Table 8: Useful Life of CLC Assets

	For the period ended June 30, 2018 Number of Years
Tankers	30
RoPax	20
Tugboats	15
Capitalized drydockingcosts	2
Others	3 to 5

The estimated useful life of vessels ranging fromfive (5) to thirty (30) years is estimated from the time of acquisition.The Company calculates the depreciation based on each separately identifiable components of vessels, i.e., a vessel equipment acquired is depreciated based on an estimated useful life of five (5) to ten(10) years, while a tanker vessel is depreciated over thirty(30) years.

The Company assesses at each reporting date whether there is an indication that its property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher between an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in net income in the statement of comprehensive income in the expense category consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in net income in the statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is recognized in other comprehensive income in the statement of comprehensive income and in the statement of changes in equity. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Drydocking costs are considered major repairs that preserve the life of the vessels. As an industry practice, costs associated with drydocking are amortized on the straight-line basis over two years or until the next drydocking occurs, whichever comes earlier. When significant drydocking expenditures occur prior to the expiry of this period, any remaining unamortized balance of the original drydocking costs is expensed in the month of subsequent drydocking. Amortization of drydocking costs starts only when the process has been completed and the related tanker is ready for use.

Description of Key Line Items

Revenue

The Company generates its revenues from charter hire rates for its tankers; passage and freight revenues for RoPax and cargo, and tug assistance fees for tugboats, and logistics fees for logistics solutions rendered.

Cost of sales and services

Cost of sales and services consists of those expenses incurred directly attributable to the operation of Company's vessels. This includes depreciation of vessels and related vessel equipment, amortization of dry docking costs, salaries, wages and benefits of crew on board, bunker cost, port expenses, vessel insurance, repairs and maintenance, and various permits and licenses necessary for the trading of vessels.

General and administrative expenses

General and administrative expenses are those expenses incurred in the direction and general administration of day-to-day operations of our business at our head office. These include salaries, wages and benefits of employees at our head office, administrative staff, outside services (for example, audit, legal other professional fees for services rendered by professionals), and taxes and licenses.

Results of Operations

Profitability – June 30, 2018 vs. June 30, 2017

The Company's operating results for the period ended June 30, 2018 and June 30, 2017 in absolute terms and expressed as a percentage of total revenue are compared below:

	For the 6 months ended June 30 (Unaudited)			
	2017	*% of Revenue*	**2018**	*% of Revenue*
	(₱millions)			
NET SALES	**1,537**	*100%*	**2,716**	*100%*
COST OF SALES	**933**	*61%*	1,718	*63%*
GROSS PROFIT	**604**	*39%*	**998**	*37%*
GENERAL AND ADMINISTRATIVE EXPENSES	**190**	*12%*	**424**	*16%*
OTHER (CHARGES) - NET	(**104**)	*7%*	(**215**)	*8%*
INCOME BEFORE PRE-ACQUISITION INCOME AND TAX	**310**	*20%*	**359**	*13%*
PRE-ACQUISITION INCOME	**-**	*0%*	**-**	*0%*
PROFIT BEFORE TAX	**310**	*20%*	**359**	*13%*
TAX EXPENSE (INCOME)	**32**	*2%*	**5**	*0%*
NET INCOME	**278**	*18%*	**354**	*13%*

Revenue

Presented below is the comparison of the Group's consolidated revenues for the three months ended June 30, 2018 as compared to the pro-forma combined revenues for the same period in 2017.

	For the six months ended June 30		Increase/
	2017	**2018**	***Decrease***
	(₱ millions)		*%*
Tankers	709	966	*36%*
Freight	692	855	*24%*
Passage	452	545	*21%*
Tugboats	128	179	*40%*
Logistics	121	128	*6%*
Others	14	43	*207%*
Total	**2,116**	**2,716**	***28%***

Based on the comparison of actual first half 2018 performance against pro-forma of first half 2017, the Group's revenues increased by ₱604 million or 29% to ₱2.72 billion from ₱2.12 billion. Each business segment of the Group showed robust growth and improved profitability. The tankering revenues increased from ₱709 million to ₱966 million as a result of higher freight rates charged for farther distance of port calls during the same period. Similarly, freight segment increased by 24% from ₱692 million for the first six (6) months of 2017 to ₱855 million during the same period in 2018 as a result of the acquisition of three freighters in November 2017. On the other hand, passage revenues increased by 21% which was attributable to the operations of MV Starlite Eagle which started commercial operations in April 2017 plying the Roxas – Caticlan route.

Tugboat fees improved by 40% for the six (6) months ended June 30, 2018 from ₱128 million to ₱179 million. The increase in tugboat fees was primarily due to additional customers acquired during the last quarter of 2017.

Finally, revenues from logistics services, which currently accounts for 5% of the Group's total revenues, increased from ₱121 million to ₱128 million as a result of additional customers acquired during the current period.

A summary of the revenue contribution from operations by each subsidiary for the six (6) months ended June 30, 2018 as compared to the pro-forma combined revenues from the same period in 2017 is presented below.

	For the six months ended June 30		Increase/
	2017	**2018**	***Decrease***
	(₱ millions)		*%*
Chelsea Shipping Corp.	834	1,170	*40%*
Trans-Asia Shipping Lines, Inc.	703	838	*19%*
Starlite Ferries, Inc.	459	580	*26%*
WorkLink Services, Inc.	120	128	*7%*
Total	**2,116**	**2,716**	***28%***

Costs and Expenses

A breakdown of the Group's consolidated Costs of Sales and Services for the six months ended June 30, 2018 as compared to the pro-forma combined costs of sales and services for the same period in 2017 is shown below.

	For the sixmonths ended June 30		***Increase/***
	2017	**2018**	***Decrease***
	(₱ millions)		*%*
Bunkering	247	544	*121%*
Depreciation and amortization	232	433	*87%*
Salaries and employee benefits	101	270	*169%*
Charter hire costs	57	96	*69%*
Port expenses	53	83	*56%*
Repairs and maintenance	72	70	*-3%*
Insurance	42	50	*19%*
Supplies	8	41	*421%*
Outside services	83	34	*-59%*
Delivery	-	26	*100%*
Rentals	-	23	*100%*
Taxes and licenses	14	12	*-11%*
Utilities and communication	1	10	*579%*
Transportation and travel	7	8	*26%*
Cost of inventories sold	12	5	*-58%*
Commission	1	3	*138%*
Professional fees	0	1	*491%*
Technology	-	3	*100%*
Miscellaneous	5	8	*57%*
Total	**932**	**1,718**	***84%***

As shown on the table above, the increase in Costs of Sales and Services significantly came from larger bunkering costs, crew salaries and employee benefits, and depreciation and amortization. Bunkering costs grew 121% from ₱274 million to ₱544 million due to deployment of additional vessels and higher fuel price. Similarly, depreciation and amortization and crew salaries and employee benefits increased as a result of the acquisition of four (4) additional vessels.

On the other hand, the details of other Operating Expenses for the six (6) months ended 30 June 2018 as compared to the pro-forma combined other Operating Expenses for the same period in 2017 are as follows:

	For the six months ended June 30		***Increase/***
	2017	**2018**	***Decrease***
	(₱ millions)		*%*
Salaries and employee benefits	65	166	*154%*
Taxes and licenses	37	72	*93%*
Outside services	10	21	*118%*
Rentals	7	20	*212%*
Port expenses	-	21	*100%*
Depreciation and amortization	11	15	*44%*

Transportation and travel	8	14	*76%*
Professional fees	17	12	*-30%*
Representation and entertainment	4	9	*132%*
Utilities and communication	5	9	*87%*
Supplies	4	8	*94%*
Repairs and maintenance	3	6	*62%*
Commission	2	3	*122%*
Insurance	2	2	*-2%*
Advertising and promotions	-	0	*100%*
Miscellaneous	16	47	*352%*
Total	**190**	**424**	***130%***

Other Operating Expenses grew from ₱190 million to ₱424 million due to increases in salaries and employee benefits, outside services, rentals, and utilities and communication expenses as a result of the Group's continued expansion. In addition, the Group paid additional taxes and licenses related to conversion of certain loans, and filing fees related to incorporation of new companies. Finally, Miscellaneous Expenses increased as a result of fines and penalties paid to the Philippine Competition Commission amounting to ₱20 million related to the acquisition of a significant interest in the 2Go Group, Inc.

Net profit

The Group's Net Profit for the six (6) months ended June 30, 2018 amounted to ₱354 million as compared to only ₱278 million for the same period in 2017. The Group was able to grow the profit primarily from its expansion programs and optimization of synergies between the operating entities within the Group.

Finance costs amounting to ₱348 million include ₱53 million of unrealized foreign currency exchange losses resulting from the Group's foreign currency denominated loans.

Financial Position – June 30, 2018 vs.December 31, 2017

	For the period ended		
	Dec - 2017	**June - 2018**	**% Increase**
		(₱ millions)	
Current Assets	6,922	8,441	22%
Non - Current Assets	19,458	23,079	19%
TOTAL ASSETS	**26,380**	**31,520**	**19%**
Current Liabilities	6,101	10,560	73%
Non - Current Liabilities	7,121	7,389	4%
TOTAL LIABILITIES	**13,222**	**17,949**	**36%**
TOTAL EQUITY	**13,158**	**13,571**	**3%**
TOTAL LIABILITIES AND EQUITY	**26,380**	**31,520**	**19%**

Total resources of the Group grew to ₱31,520 million as of June 30, 2018 from ₱26,380 million as of December 31, 2017. The increase was brought about by the Group's continued expansion programs through the acquisition of various capital asset expenditures.

Cash and cash equivalents declined by 34% from ₱1,442 million as of December 31, 2017 to only ₱1,071 million as of June 30, 2018 as a result of the Group's cash management efforts in maintaining certain level of cash and some timing in disbursements and collections.

Trade and other receivables surged by 30% from ₱876 million as of December 31, 2017 to ₱1,336 million as of June 30, 2018 primarily as a result of timing of collections from customers.

Increase in inventories of approximately ₱100 million was due to acquisition of spare parts inventories in preparation for drydocking of certain vessels, and additional fuel and lubricants inventory in anticipation of increased fuel prices as a result of the implementation of the Tax Reform for Acceleration and Inclusion. Spare parts inventories rose from ₱88 million as of December 31, 2017 to ₱124 million as of June 30, 2018 while fuel and lubricants rose from ₱49 million to ₱89 million as of the end of the reporting period.

The increase in Other Current Assets from ₱1,926 million as of December 31, 2017 to ₱3,233 million as of June 30, 2018 was primarily the result of advance payments paid for the acquisition of Vessels and parcels of lot intended for the expansion of the Group's warehouse capacity.

Property and equipment grew from ₱11,000 million as of December 31, 2017 to ₱14,505 million as a result of additional vessel acquisitions during the first half of 2018, including a medium range tanker which delivery was accepted on April 25, 2018. These vessels are currently undergoing repairs and/or drydocking and are expected to be in operations starting the fourth quarter of the current year.

The increase in Investments in an associate and a joint venture from ₱2,269 million as of December 31, 2017 to ₱2,325 million as of June 30, 2018 was due to the recognition of the Company's share in net income of 2Go Group, Inc.

Trade and other payables increased by ₱872 million from ₱1,381 million as of December 31, 2017 to ₱2,324 million as of June 30, 2018. The increase in Trade and other payables was primarily due to timing of payment of trade payables.

Interest-bearing loans significantly increased by 38% from ₱10,332 million as of December 31, 2017 to ₱14,214 million as of June 30, 2018 primarily as a result of additional loan drawdown during the period as part of the Group's continued expansion programs.

The decline in Income Tax Payable was primarily due to the tax payments made in April 2018.

The significant decline in deferred tax liabilities by 28% was mainly due to the tax effect of depreciation on revaluation increment related to vessels.

The increase in equity, primarily in retained earnings was due to the results of the Company's financial performance for the six months ended June 30, 2018.

Results of Operations

Profitability – December 31, 2017 vs. December 31, 2016

The Company's operating results for the year ended December 31, 2017 and December 31, 2016 in absolute terms and expressed as a percentage of total revenue are compared below:

	For the 12 months ended December 31			
	(Audited)			
	2016	***% of Revenue***	**2017**	***% of Revenue***
	(₱ millions)			

NET SALES	**1,638**	***100%***	**3,909**	***100%***
COST OF SALES	1,261	*77%*	2,862	***73%***
GROSS PROFIT	**377**	***23%***	**1,047**	***27%***
GENERAL AND ADMINISTRATIVE EXPENSES	155	*9%*	530	***14%***
OTHER (CHARGES) - NET	(86)	*5%*	(365)	***9%***
INCOME BEFORE PRE-ACQUISITION INCOME AND TAX	**135**	***8%***	**153**	***4%***
PRE-ACQUISITION INCOME	**-**	***0%***	**105**	***3%***
PROFIT BEFORE TAX	**135**	***8%***	**48**	***1%***
TAX EXPENSE (INCOME)	4	*0%*	(114)	***3%***
NET INCOME	**131**	***8%***	**161**	***4%***

Revenue

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.

These increments offset the decrease in charter fees and standby charges by ₱299.5 million or approximately 20% during 2017 that 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 tankering revenues.

Tugboat fees 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 that 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;the latter of 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 Position – December 31, 2017 vs. December 31, 2016

The Company reached a significant milestone in 2017 raising approximately ₱5.8 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.

The Company's financial position for the year ended December 31, 2017 and December 31, 2016 in absolute terms is compared in the following table.

	For the 12 months ended December 31 (Audited)		
	2016	**2017**	**% Increase**
		(₱ millions)	
Current Assets	2,634	6,922	163%
Non - Current Assets	8,126	19,458	139%
TOTAL ASSETS	**10,760**	**26,380**	**145%**
Current Liabilities	6,614	6,101	-8%
Non - Current Liabilities	2,585	7,121	175%
TOTAL LIABILITIES	**9,199**	**13,222**	**44%**
TOTAL EQUITY	**1,561**	**13,158**	**743%**
TOTAL LIABILITIES AND EQUITY	**10,760**	**26,380**	**145%**

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 Ferries, 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 UIBV, which holds 79.99% economic interest in KGLI-NM. KGLI-NM in turn, owns 39.85% economic interest in 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.

Liquidity and Capital Resources

The Company has historically met its liquidity requirements principally through cash flow from operating activities. The principal uses of cash have been, and are expected to continue to be, operating costs, including salaries and wages and capital expenditures for property and equipment. In the future, the Company expects to fund its capital expenditure requirements primarily from operations of its vessels.

The following table sets out information from the Company's statements of cash flows for the periods indicated.

	For the 12 months ended December 31		**For the 6 months ended June 30**	
	(Audited)		**(Unaudited)**	
	2016	**2017**	**2017**	**2018**
		(millions)		
Net cash provided by (used in) operating activities	(572)	(2,149)	(5,334)	45
Net cash used in investing activities	(2,985)	(3,950)	(499)	(3,932)
Net cash provided by (used in) financing activities	3,865	6,824	5,696	3,541
Effect of exchange rate changes on cash and cash equivalent	5	27	3	(25)
Net increase (decrease) in cash and cash equivalent	**312**	**753**	**(134)**	**(371)**

	For the 12 months ended December 31		For the 6 months ended June 30	
Cash and cash equivalents from acquired subsidiaries	166	180	-	-
Cash and cash equivalents at beginning of year	31	509	509	1,442
Cash and cash equivalents at end of year	**509**	**1,442**	**375**	**1,071**

Net cash flows provided by operating activities

For the six months ended June 30, 2018, net cash flows from operating activities amounted to ₱45 million.

For the year ended December 31, 2017, net cash flows used in operating activities amounted to ₱2.1 billion, a significant portion of which pertains to advances to suppliers representing down payment for the acquisition of additional vessels. The Company also advanced certain amounts to related parties and paid trade and other payables. These were partially offset by earnings before interests, taxes, depreciation and amortization reported during the year amounting to ₱1.3 billion.

In 2016, net cash flow used in operating activities amounted to ₱572 million, which was significantly as a result of significant uncollected receivables at year, significant increase in other assets and payments of trade and other payables during the year. Earnings before interests, taxes, depreciation and amortization reported during the year amounting to ₱756.2 million.

Net cash flows from (used in) investing activities

For the periods ended June 30, 2018,December 31, 2017 and 2016, a substantial portion of net cash flows used in investing activities amounting to ₱3.9 billion, ₱3.9 billion and ₱3.0 billion, respectively, pertained to the acquisitions of additional subsidiaries, acquisitions of property and equipment, and additions to drydocking costs.

Net cash flows from (used in) financing activities

For the periods ended June 30, 2018, December 31, 2017 and 2016, net cash flows from financing activities amounted to ₱3.5 billion,₱6.8 billion and ₱3.9 billion, respectively. During the first half of 2018, a substantial portion of cash flows came from financing activities came from interest-bearing loans, while full year 2017 cash flows from financing activities mainly represent net proceeds from the Company's initial public offering, proceeds from interest-bearing loans and dividends received from subsidiaries.

Loans Payable

As of June 30, 2018 and December 31, 2017, the details of the Company's interest-bearing loans are as follows:

Term Loans

Table 9: CLC Term Loans

Institution	Security	Terms	Interest Rates	June 30, 2018	December 31, 2017
China Banking Corporation (CBC)	Continuing Suretyship	6 years	4.50%	₱ **1,800**	₱ **1,800**
Philippine Business Bank (PBB)	MV Eagle, MV Navigator, MV	10 years	7.50%	**1,017**	**1,037**

Institution	Security	Terms	Interest Rates	June 30, 2018	December 31, 2017
	Archer, MV Saturn				
PBB	Unsecured	15 years	7.00%	**800**	**800**
Development Bank of the Philippines (DBP)	Trans-Asia 16, 17, and 18	15 years	7.00%	**618**	**-**
DBP	MV Pioneer, MV Reliance	15 years	6.95%	**606**	**606**
DBP	MV San Pedro Calungsod, MV San Lorenzo Ruis Uno, MV St. Nicholas of Myra	15 years	6.50%	**569**	**-**
CBC	MT Chelsea Charlize	7 years	3.25%	**357**	**366**
PBB	MT Chelsea Dominance	7 years	6.06%	**341**	**373**
BDO Unibank, Inc. (BDO)	MT Great Princess	5 years	5.54%	**302**	**335**
BDO	Trans - Asia 1, Trans - Asia 10	10 years	4.25%	**299**	**299**
PBB	MT Chelsea Endurance	7 years	6.06%	**289**	**316**
Mega International Commercial Bank Co. (MICBC)	Continuing Suretyship	5 years	6.10%	**289**	**296**
Robinsons Bank Corporation (RBC)	Continuing Suretyship	5 years	6.10%	**289**	**296**
CTBC Bank (Phils.) Inc.	Continuing Suretyship	5 years	4.09%	**289**	**296**
First Commercial Bank, Ltd. (FCB)	Continuing Suretyship	5 years	6.10%	**193**	**198**
BDO	MT Chelsea Denise II	5 years	6.46%	**173**	**196**
BDO	Trans - Asia 1	10 years	5.00%	**131**	**180**
BDO	Chattel Mortgage	8 years	4.50%	**88**	**88**
BDO	MT Great Diamond	7 years	One year LIBOR + 3.50%	**88**	**134**
Asia United Bank (AUB)	Mtug Fortis III and Mtug Fortis V	7 years	5.56%	**62**	**67**
United Coconut Planters Bank (UCPB) and	Mtug Pindasan, Mtug Samal	5 years	6.00% to 6.50%	**16**	**26**
Philippine Bank of Communications (PBComm)	Mtug Sigaboy				
AUB	Mtug Fortis I and Mtug Fortis II	5 years	7.00%	**11**	**22**
BDO	Trans - Asia 10	9.38 years	4.25%	**0**	**-**
Total				**₱ 8,597**	**₱ 7,714**

(a) ***Omnibus Loan and Security Agreement (OLSA) with BDO – MT Great Princess and MTChelsea Denise II***

In 2013, PNX-Chelsea entered into a MOA with China Shipbuilding & Exports Corporation ("CSEC") for the acquisition of one unit of oil tanker (MTkr Chelsea Donatela) in the amount of US$21,187,500.In connection with the acquisition of an oil tank vessel, PNX-Chelsea entered into an OLSA amounting to US$14 million withBDO, the proceeds of which were used to partly finance the importation of the vessel. In September 2013, BDO granted the loan and released the first tranche amounting toUS$4 million. The second tranche was availed by PNX-Chelsea in February 2014. The loan is payable for a period of five years from initial drawdown date, in US$560,000quarterly principal installments and any unpaid balance on the maturity date, with a two quarter grace period, commencing after the second tranche. The loan bears effective interest rate of 5.25% per annum.

In 2014, PNX-Chelsea entered into a MOA with CSEC for the importation of one unit of oil tank vessel (MTkr Chelsea Denise II) from China for a total cost of US$7,300,000. In connection with the MOA, PNX-Chelsea entered into another OLSA with the same local bank for ₱300 million to finance the acquisition of MTkr Chelsea Denise II in 2014. The loan is subject to effective interest rate of 6.46%per annum and is payable for a quarterly basis for five years commencing at the end of the fourth quarter of 2015.

The loans are secured by a chattel mortgage on MT Great Princess and MT Chelsea Denise II, respectively.

(b) ***OLSA with BDO – MT Chelsea Great Diamond***

On April 26, 2011, CSC entered into a MOA with CSEC for the acquisition of one unit of oil tank (MT Chelsea Great Diamond) in the amount of US$19.8 million.

In connection with the MOA, CSC entered into an OLSA amounting to US$14.5 million with BDO, the proceeds of which was used to partly finance the importation of the vessel. The loan is payable in 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to quarterly repricing of interest computed at one-year LIBOR plus applicable margin of 3.5% per annum.

The loan is secured by a chattel mortgage on certain vessels of CSC with a total net carrying amount of ₱895.1 million and ₱914.0 million as of June 30, 2018 and December 31, 2017, respectively. The loan is also secured by collateral on certain receivables under the Group's Assignment of Charter Party with BDO and guaranteed by certain stockholders of the Group.

The OLSA requires CSC to maintain debt-to-equity ratio of not more than 1.50:1.00 and DSCR of at least 2.50. As of June 30, 2018 and December 31, 2017, CSC has breached these covenants. CSC's Management, however, believes that the breach has no material impact in the consolidated financial statements as the loan is due for settlement in 2018; hence, the current classification.

(c) ***Term Loan Agreement ("TLA") with CBC – MTChelsea Charlize***

On May 17, 2016, PNX-Chelsea entered into a loan agreement with CBC amounting to US$8.0 million to finance the acquisition of MTkr Chelsea Charlize. The loan is subject to annual interest rate of 3.25% and is payable in 24 equal quarterly installments commencing on August 23, 2017.

The loan is secured by a chattel mortgage on MT Chelsea Charlize with net carrying amount of ₱437.2 million and ₱445.1 million as of June 30, 2018 and December 31, 2017, respectively.

(d) ***TLA with PBB – MT Chelsea Endurance and MT Chelsea Dominance***

On July 21, 2016 and August 18, 2016, PNX-Chelsea entered into loan agreements with PBB amounting to US$6.5 million and US$7.6 million, respectively, to finance the acquisition of MTkr Chelsea Endurance and MTkr Chelsea Dominance, respectively. The loans are subject to annual effective interest rate of 6.06% for MT Chelsea Endurance and 4.5% for MT Chelsea Dominance and are payable in 24 equal monthly installments with one-year grace period from date of each release.

The loans are secured by a chattel mortgage on MTChelsea Endurance and MT Chelsea Dominance with net carrying amounts totaling ₱718.2 million and ₱731.2 million, respectively, as of June 30, 2018 and December 31, 2017.

(e) ***TLA with AUB – MTug Fortis I, MTug Fortis II, MTug Fortis III and MTug Fortis V***

In 2013, FTC obtained interest-bearing loans from a bank to partially finance the acquisition of tugboats amounting to ₱100 million. The loan bears fixed interest rate at 7.0% for the first three years from the initial drawdown date and shall be repriced at the end of the third year from the initial drawdown date (the **"Repricing Date"**). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.0% subject to a floor of 7.0%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

On April 12, 2017, FTC obtained additional interest-bearing loans amounting to ₱69.7 million from the same bank to partially refinance the acquisition of MTug Fortis III and MTug Fortis V and for working capital requirements. The loan bears fixed interest rate of 5.56% and the principal is payable in 28 monthly installments.

Certain trade receivables amounting to ₱32.3 million and ₱27.5 million as of March 31, 2018 and December 31, 2017, respectively, were assigned to secure the payment of these interest-bearing loans. Moreover, certain tugboats of FTC with net carrying amounts of ₱243.0 million and ₱247.0 million as of June 30, 2018 and December 31, 2017, respectively, were used as collateral to secure the payment of these loans.

(f) ***TLA with BDO – Trans-Asia 10, 8 and 9***

In 2014, Trans-Asia Shipping availed loans from BDO for the acquisition of Trans-Asia 10 totaling to ₱120 million at an interest rate of 4.5% per annum. Another loan amounting to ₱79.7 million was obtained from BDO to provide financing toOceanstar for the purchase of Trans-Asia 8 and 9. Principal and interest payments on these loans are made monthly.

Trans-Asia made additional loans from BDO totaling to ₱263.5 million in 2016 at an interest rate of 4.25% per annum. Principal payments are made monthly with a grace period of one year and interest on these loans is payable monthly in arrears.

(g) ***TLA with CBC – Trans-Asia***

Trans-Asia secured borrowings from CBC in 2010 in the amount of ₱135 million. This loan is payable for a term of ten years inclusive of two years grace period at 5.00% per annum. Interest is to be paid quarterly in arrears based on diminishing balance.

In addition, a loan from CBC amounting to ₱71.1 million was availed in 2015 at an interest rate of 4.50% per annum. Principal is payable monthly with a grace period of two years and interest is payable monthly in arrears based on diminishing balance. This loan is to partially finance the purchase of Trans-Asia 12, a vessel owned by one of its subsidiaries, Oceanstar. These loans have been fully settled as of December 31, 2017.

(h) ***TLA with UCPB and PBComm – DGMSI***

In 2014, DGMSI obtained loans from UCPB and PBComm to fund its acquisition of secondhand tugboats imported from Japan and Korea for use in the expansion of its business activity. The same loans are collateralized with three of its tugboats acquired and a time deposit placement amounting to ₱5 million. These loans have interest rates ranging from 6.00% to 6.50% per annum and are subject to annual resetting. These loans will mature on various dates in 2019.

(i) ***TLA with CBC – CLC***

In 2016, the Company obtained a ₱1.8 billion loan from CBC to finance the acquisition of the outstanding shares of CSC. The loan is subject to annual interest rate of 4.50% and is payable on a lump sum basis in 181 days. The loan is secured by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Company's President and Chairman of the BOD.

In 2017, the Company converted its ₱1.8 billion bank loan to a six-year term loan from China Bank with a grace period of four quarters which commenced on the date of conversion. The principal is payable per quarter amounting to ₱45 million with balloon payment at maturity and shall commence on the quarter after the grace period and the interest shall be paid on arrears. The loan is secured by the same properties as mentioned in the initial bank loan.

(j) ***TLA with CTBC, MICBC, RBC, and FBC – Trans-Asia***

In 2017, Trans-Asia entered into a five-year loan facility agreement amounting to ₱300.0 million each with CTBC, MICBC and RBC and ₱200.0 million with FCB to bridge the facility obtained by CSC to fund the acquisition of Trans-Asia and for general working capital purposes. In the same year, Trans-Asia made a drawdown of ₱1,100.0 million loan to bridge the loan obtained by CSC in 2016. The loan is subject to annual interest rate of 6.10% and is payable on quarterly basis. Principal repayments shall be 5% of the loan in the first and second year, 15% in the third and fourth year and 60% in the fifth year of the drawdown. The loan is secured by Trans-Asia shares, a corporate guarantee by Udenna and individual surety of the Company's Chairman of the BOD.

(k) ***TLA with PBB – Starlite***

In 2015, Starlite entered into a 10-year term loan agreement amounting to ₱1,037.4 million with PBB to finance the acquisition of MV Eagle, MV Archer and MV Saturn. The loans are subject to a fixed interest rate of 7.5% and the principal is payable in arrears.

In 2017, Starlite obtained a 15-year term loan agreement amounting to ₱800.0 million with PBB. The loan is subject to annual interest rate of 7.0% and principal repayments including the interest shall commence on the first quarter after a grace period of one year from the date of availment.

Certain vessels of Starlite with net carrying amounts of ₱1,285.0 million and ₱1,283.4 million as of June 30, 2018 and December 31, 2017 were used as collateral to secure the payment of these loans.

(l) ***TLA with DBP – Starlite***

In 2016 and 2015, Starlite entered into a 15-year term loan agreement amounting to ₱306.0 million and P300.0 million, respectively, with DBP to finance the acquisition of MV Pioneer and MV Reliance. The loan is subject to annual interest rate of 6.95% and is payable on a quarterly basis. Principal repayments shall commence after the grace period of three periods.

Certain vessels of Starlite with net carrying amounts of ₱791.4 million and ₱735.9 million as of June 30, 2018 and December 31, 2017, respectively, were used as collateral to secure the payment of these loans.

(m) ***TLA with DBP – PNX-Chelsea***

On January 25, 2018, PNX-Chelsea entered into a loan agreement with DBP amounting to ₱575.0 million to refinance the acquisition of MV San Pedro Calungsod, MV San Lorenzo Ruiz Uno, and MV St. Nicholas of Myra. The loan is subject to annual interest rate of 6.50% and is payable in 60 equal quarterly installments commencing on the first quarter from the initial drawdown.

Certain vessels of PNX-Chelsea with net carrying amounts of ₱557.3million as of June 30, 2018 were used as collateral to secure the payment of these loans.

(n) ***TLA with DBP – Trans-Asia***

On May 2, 2018, Trans-Asia entered into a loan agreement with DBP amounting to ₱618.0 million to finance the acquisition of Trans-Asia 16, Trans-Asia 17, and Trans-Asia 18. The loan is subject to annual interest rate of 6.50% and is payable in quarterly arrears up to 15 years from the initial drawdown, inclusive of one year grace from the date of signing.

Bank Loans

Table 10: CLC Bank Loans

Institutions	Security	Terms	Interest Rates		June 30, 2018		December 31, 2017
Primary Institutional Lenders	Unsecured	30 to 96 days	4.25% to 5.375%	₱	**2,062**	₱	**923**
UCPB	MT Chelsea Intrepid, MT BMI Patricia	90 days	5.00% to 5.75%		**895**		**891**
CBC	Unsecured	60 days	6.00%		**500**		**-**
CTBC Bank, Phils.	Unsecured	30 days	3.75%		**300**		**-**
DBP	MT Chelsea Cherylyn	180 days	4.00 to 4.25%		**298**		**300**
Unionbank of the Philippines	Unsecured	360 days	4.50%		**200**		**-**
Unicapital	Unsecured	90 days	5.50%		**199**		**140**
PBCom	MT Ernesto Uno	180 to 270 days	4.75%		**385**		**131**
Pentacapital					**399**		**-**
Robinsons Bank Corporation	MT Chelsea Denise	180 days	5.50%		**76**		**57**
BDO	Unsecured	1 year	7.00%		**39**		**-**
PVB	Unsecured	180 days	4.18%		**40**		**-**
Security Bank Corporation (SBC)	Chattel Mortgage	5 years	6.50%		**4**		**10**
BPI	Unsecured	48 days	9.47% to 10.28%		**2**		**2**
Chinabank Savings	Unsecured	48 days	0.71%		**1**		**1**
Total				₱	**5,399**	₱	**2,456**

The bank loans were obtained to finance the acquisition and drydocking of certain vessels and to support the Group's working capital requirements. These loans are secured by certain vessels owned by the Group with total net carrying amount of ₱1,616.0 million and ₱1,637.4 million as of June 30, 2018 and December 31, 2017, respectively.

Property and Equipment

The fair values of the Group's vessels were based on the latest appraisal reports as shown below.

Name of Vessel	Date of Report	Net Appraised Values in ₱ million
MT Ernesto Uno	May 29, 2018	152.0
MT Chelsea Resolute	January 10, 2018	255.0
MT Starlite Reliance	November 22, 2017	450.0
MT Chelsea Denise	November 11, 2017	195.0
MT Jasaan	July 7, 2017	43.0
MT Chelsea Excellence	June 14, 2017	150.0
MT BMI Patricia	June 5, 2017	56.0
MV Trans-Asia 3	February 11, 2017	207.4
MTug Pindasan	January 6, 2017	40.4
MTug Samal	January 6, 2017	33.4
MTug Sigaboy	January 6, 2017	28.9
MTug Fortis II	November 11, 2016	80.1
MT Chelsea Charlize	June 27, 2016	470.0
MT Chelsea Endurance	June 8, 2016	347.4
MT Great Princess	May 31, 2016	1,450.0
MV Trans-Asia 5	May 17, 2016	114.0

Name of Vessel	Date of Report	Net Appraised Values in ₱ million
MV Asia Philippines	May 17, 2016	71.0
MV Trans-Asia 2	May 7, 2016	90.0
MV Trans-Asia 8	April 28, 2016	90.0
MV Trans-Asia 10	April 27, 2016	85.5
MV Asia Pacific	April 27, 2016	71.0
MV Trans-Asia 9	April 25, 2016	86.0
MV Starlite Annapolis	April 4, 2016	34.9
MV Starlite Blue Sea	June 30, 2016	5.5
MV Starlite Jupiter	June 30, 2016	29.6
MV Starlite Navigator	June 30, 2016	29.7
MV Starlite Pacific	June 30, 2016	18.0
MV Starlite Polaris	June 30, 2016	10.1
MV Starlite Ferry	June 30, 2016	19.7
MV Starlite Tamaraw	June 30, 2016	25.3
MT Chelsea Intrepid	March 17, 2016	120.0
MT Chelsea Enterprise	March 4, 2016	135.0
MV Starlite Pioneer	February 24, 2016	462.3
MT Chelsea Denise II	December 23, 2015	487.0
MTug Fortis I	November 17, 2015	85.0
MT Great Diamond	August 5, 2015	1021.9
MT Chelsea Cherylyn	December 29, 2014	880.0

As a company policy, appraisals are performed by external professional appraisersafter every dry-docking procedures, which is done once every two (2) periods.While drydocking is normally done once every two (2) years, MARINA may extend the vessel's trading certificates subject to the overall condition of the vessel.

Below are the status of the drydocking activities of some vessels, which effective dates of revaluation are more than two (2) periods as of June 30, 2018:

(a) MT Chelsea Denise II and MT Chelsea Cherylyn have not been operational since June 2017 and November 2016, respectively, due to breakdown in the vessel's main engine gearbox.The delay in the manufacturing and importation of the replacement gearbox has caused it to remain under drydocking procedures since those dates. MT Chelsea Denise II is expected to resume operations within October 2018 while MT Chelsea Cherylyn is expected to resume operations in November 2018. Accordingly, appraisal of these vessels are expected to be performed prior to those dates.

(b) MT Great Diamond is covered by a five-year bareboat agreement since November 2016. Under a bareboat agreement, the charterer obtains full control of the vessels with all costs, including drydocking,agreed to be shouldered by the charterer.Hence, no appraisal can be performed as of this period.

(c) The drydocking procedures for MV Starlite Pioneer and MTug Fortis I were completed during the first half of 2018 and, accordingly, the appraisals of these vessels will be reflected in the 2018 financial statements.

(d) Drydocking procedures for MT Chelsea Intrepid and MT Chelsea Enterprise only commenced on June 10, 2018 and August 11, 2018, respectively. Appraisal of these vessels will be conducted immediately after the completion of drydocking procedures.

The Management believes that there is no significant change in the fair values of the Group's vesselssince the dates of last appraisals.

Further, no appraisal report was obtained for MV San PedroCalungsod, MV San Lorenzo Ruiz Uno, MV St. Nicholas of Myra, MT Chelsea Dominance, MTugFortis III, MTug Fortis V, MTug Fortis VII, MV Starlite Saturn, MV Starlite Eagle, MV StarliteArcher and MV Trans-Asia 12 as the Group has acquired these vessels towards the end of2016 and early 2017. Management believes that the acquisition costs approximate the fair values of these vessels.

Capital Expenditures

CLC makes capital expenditures annually to support its business goals and objectives. As part of its strategy, the Company invests capital in new vessels. The Company also invests in on-going maintenance of existing vessels.

The Company estimates capital expenditures for the year 2018 to amount to ₱4.500 billion for various acquisition of land and related development costs, acquisition of vessels, vessel equipment and upgrade of facilities. These capital expenditures will be primarily financed through project financing, internally generated funds from operating income, and from the proceeds of the issuance of Preferred Shares.

Although these are its current plans with respect to its capital expenditures, such plans may be modified as a result of a change in circumstances. In addition, the actual amount of expenditures may vary from the planned amount of expenditures for a variety of reasons, including changes in market conditions, competition and other factors. As the Company continues to expand, it may incur additional capital expenditures.

Contractual obligations and commitments

Set out below is a summary of the Company's undiscounted contractual commitments by maturity:

	Contractual Obligations and Commitments as of June 30, 2018		
	Payments due by period (₱ millions)		
	Total	2018	2019 - 2023
Loans payable - current	7,015	7,015	-
Loans Payable - non-current	7,199	-	7,199
Trade and other payables	2,324	2,324	-
Total	**16,538**	**9,339**	**7,199**

These contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

Key Performance Indicators

The Company's key performance indicators as of and for the years ended December 31, 2016 and 2017 and for the period ended June 30, 2017 and 2018 are set forth below:

	For the years ended December 31		For the six months ended June 30	
	2016	2017	2017	2018
Gross Profit Margin	23.0%	**26.8%**	39.3%	**36.7%**
Debt to Equity Ratio	5.89	**1.00**	1.79	**1.32**
EBITDA	756	**1,295**	724	**1,093**
EBITDA Margin	46.2%	**33.1%**	47.1%	**40.2%**
ROE (%)	6.4%	**2.2%**	3.5%	**2.6%**

Notes:

(1) *Gross profit ratio is derived by dividing gross profit by revenues.*

(2) *Debt to equity ratio is computed by dividing total liabilities by total equity.*

(3) *EBITDA is computed as net income, excluding interest income, before interest expenses, provision for income taxes, depreciation and amortization. The table below sets forth further information with respect to the computation of EBITDA for the years ended December 31, 2016 and 2017 and period ended June 30, 2017 and 2018:*

	December 31		June 30	
	2016	2017	2017	2018
	(₱ millions)		(₱ millions)	
Net Income	131	**161**	278	**354**
Add:				
Tax Expense (income)	4	(**114**)	32	**5**
Interest Expense	164	**508**	172	**292**
Depreciation and amortization	458	**745**	242	**449**
Less:				
Interest Income	(0)	(**5**)	(1)	(**7**)
EBITDA	756	**1,295**	724	**1,093**

(4) *EBITDA margin is computed as EBITDA divided by Revenue.*

(5) *ROE is computed as Net Income divided by Average Equity (actual, not annualized).*

Off-balance sheet arrangements

As of June 30, 2018, CLC is not a financial guarantor of the obligations of any unconsolidated entity and is not a party to any off-balance sheet obligations or arrangement.

Quantitative and qualitative disclosure of market risk

The Company's principal financial instruments consist of cash and interest-bearing loans. The main purpose of its financial instruments is to finance its operations. CLC has various other financial assets and liabilities such as trade and other receivables, accounts payable and other current liabilities arising directly from operations.

The main risks arising from the Company's financial instruments are market risks (including foreign currency sensitivity and interest rate sensitivity), credit risk and liquidity risk.

Credit Risk

Credit risk is the risk where a loss will be incurred when customers or counterparties fail to comply with their contractual obligations. The Company manages and controls credit risk by transacting only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. In addition, the Company monitors receivable balances on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations.

Financial Ratios

	December 31, 2017	**June 30, 2018**
Current Ratio	1.13	0.82
Quick Ratio	0.79	0.46
Debt to Equity Ratio	1.00	1.32
Return on Equity (%)	2.2%	2.6%
Interest Coverage Ratio	2.70	1.63

Current Ratio
Current ratio declined from 1.13 as of December 31, 2017 to 0.82 as of June 30, 2018 as a result of increase in current liabilities particularly interest-bearing loans to ₱7.011 billion.

Quick Ratio
Quick ratio also declined from 0.79 as of December 31, 2017 to 0.46 as of June 30, 2018 as a result of increase in current liabilities particularly interest-bearing loans to ₱7.011 billion.

Debt-to-equity Ratio
The Company's debt-to-equity ratio increased from 1.00 as of December 31, 2017 to 1.32 as of June 30, 2018. The increase was due to additional borrowings availed by the Company during the first half of 2018.

Return on Equity
Return on equity for the year ended June 30, 2018 improved to 2.6% from 2.2% for the year ended December 31, 2017. The slight improvement was due to 123% year-to-date growth in Net Profit of the Company to ₱360 million.

Interest Coverage Ratio
Interest coverage ratio declined from 2.70 for the year ended December 31, 2017 to 1.63 for the period ended June 30, 2018. The steep decline was due to higher total debt service of the Company during the first half of 2018.

Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation

As discussed in the Note 13 of the unaudited financial statements for the period ended June 30, 2018, certain subsidiaries of the Company have breached its financial covenants with lender banks. Management, however, believes that such breach will not have an adverse effect on the Company's financial condition given their history of prompt payment and Management's excellent relationships with the lender banks. Except for contingencies, the Company is not aware of other events that will materially trigger direct or contingent financial obligation.

Known Trends, Events or Uncertainties that will impact Sales / Revenues / Income from Continuing Operations

The Company is not aware of any element of income of loss that did not arise from continuing operations.

Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

The RoPax segment transports passengers and cargoes within the Philippine territorial waters and/or on the high seas. Due to the seasonal nature of this segment, higher passage revenues and operating profits are usually experienced in the summer months of the year (March, April, and May), school holidays (October and November) and Christmas holidays (December and January) rather than in the other months of the year. Freight revenues, on the other hand, are higher at the last quarter of the year rather than in the early months.

The seasons of the year have no or little effect on the operations of the tanker and tugboat segments.

BUSINESS

Overview and History

CLC is a corporation organized and registered with the Philippine SEC on August 26, 2016 as Chelsea Shipping Group Corp. primarily to act as a holding company. On December 21, 2016, the Philippine SEC approved its change in corporate name to Chelsea Logistics Corp. Subsequently, on June 27, 2017, the Philippine SEC again approved the Company's change in corporate name to Chelsea Logistics Holdings Corp. CLC, through its wholly-owned subsidiaries, is engaged in the shipping transport and logistics business, described in detail as follows:

1. Chelsea Shipping Corp., incorporated on July 17, 2006, and which began commercial operations on January 1, 2007, is engaged in the maritime conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, including but not limited to general cargo handling, loading, transporting, discharging and storing, over oceans, seas, lakes, rivers, canals, bays, harbors, and other waterways in the Philippines.

2. Trans-Asia Shipping Lines, Incorporated, incorporated on March 25, 1974, is engaged in transporting passengers and cargo within Philippine territorial waters and/or in the high seas. The acquisition by the Company of Trans-Asia Shipping and its subsidiaries was completed in the last quarter of 2016.

3. WorkLink Services, Inc., established in June 2, 1994, provides domestic logistics solution for various local industries. Its services include courier, trucking, warehousing, and special account management handling. The Company completed its acquisition of WorkLink Services in November 2017.

4. Starlite Ferries, Inc., incorporated on August 25, 1994, is engaged in the general business of domestic shipping to own and operate any class, type or description for domestic trade, to charter in and out any such vessels. SFI is one of the dominant shipping companies in the Batangas – Calapan and Roxas – Caticlan trade routes. The Company completed its acquisition of Starlite Ferries in November 2017.

5. 2Go Group Inc., formed and organized in May 26, 1949, is an integrated transport solutions provider. 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). The Company accounts for its investment in 2Go as an investment in an associate, in accordance with PAS 28, *Investment in an Associate*.

Revenue Mix

The Company currently derives the bulk of its revenues from five main service lines, namely: (a) Charter fees, (b) Passage, (c) Freight, (d) Tugboat fees, and (e) Logistics revenues.

Charter Fees – This consists mainly of charter income arising from the charter hire of its tankers and is recognized based on the type of charter arrangement entered into, either under a time charter (TC), a continuing voyage charter (CVC), or bareboat agreement (BB). Charter fees also include standby charges, which represent fees charged upon failure of customer to utilize/dispatch the tanker within the allotted lay-time initially agreed upon with the customer. This is commonly referred to as demurrage.

Passage –This pertains to revenues generated from ferrying passengers from the point of embarkation to the point of disembarkation.

Freight – This pertains to revenues generated from transporting cargo from loading port to discharge port.

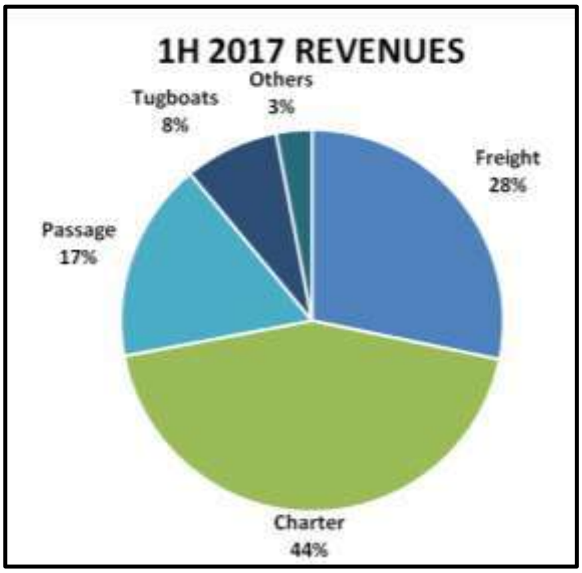
Tugboat Fees – These are fees arising from docking, undocking, shifting, towing, ferry services, tugboat usage and delivery services to marine vessels and other crafts.

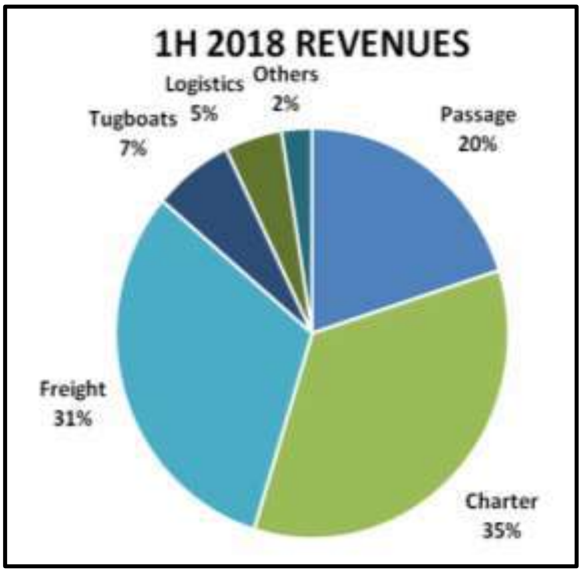
Logistics Revenues – This pertains to revenues generated from rendered logistics services.

The Company generated total revenues of ₱1.638 billion and ₱3.909 billion for the years ended December 31, 2016 and 2017 and net income of ₱132 million and ₱161 million for the same periods. For the six months ended June 30, 2017 and 2018, the Company generated total revenues of ₱1.537 billion and ₱2.716 billion, respectively, and net income of ₱278 million and ₱354 million for the same periods. Shown below is the breakdown contribution of each revenue stream.

	For the years ended December 31 (Audited)		**For the six months ended June 30 (Unaudited)**	
	2016	**2017**	**2017**	**2018**
Freight fees…………	-	**35%**	28%	**31%**
Charter fees…………	87%	**31%**	44%	**35%**
Passage fees………..	-	**20%**	17%	**20%**
Tugboat fees……….	7%	**7%**	8%	**7%**
Logistics services…	-	**6%**	0%	**5%**
Others……………….	6%	**1%**	3%	**2%**

Chart 1: CLC Revenue Mix





During the first half of 2017, Charter fees contributed 44% to the total revenues of the Company, followed by Freight fees with 28%, Passage fees at 17%, and Tugboat fees with 8%. With the acquisition of WSI the Company generated 5% of its revenues from logistics sector and is expected to further improve as the expansion program for the logistics segment of the Company happens in 2018. Similarly, through the acquisition of SFI, the Company's Passage fees contribution improved to 20% during the first half of 2018.

Vessel Fleet

As of June 30, 2018, the Company maintains a fleet of twelve (12) tankers, four (4) barges, sixteen (16) cargo vessels, fourteen (14) tugboats, eleven (11) fastcrafts, thirty (30) RoPax vessels, and one (1) floating dock. Below is the table showing the average ages of the Company's vessels.

Table 11: Average Age of CLC Vessels

Type of Vessel	Average Age (In Years)
Barge	27
Cargo	27
Fastcraft	18
RoPax	29
Tanker	16
Tugboat	33
Floating Dock	3

The Company obtained classification for its vessels as it is a MARINA requirement for the issuance of a CPC. Having a vessel classed ensures seaworthiness and compliance with the safety standards set forth by the MARINA. At present, most of the Company's vessels are domestically classed by Orient Register of Shipping, Inc., a MARINA-accredited classification society. Domestically-classed vessels are not recognized outside the Philippines unless they get classed by a classification society that is accredited by IACS. Seven (7) of the eleven (11) tankers of CSCare classed by IACS-certified entities i.e., BV, ABS, Korean Register of Shipping (KRS) and NKK. Refer to subsection *"Philippine Regulatory Framework"* on page 158 for more details on classification.

Shown below is a list of the vessels owned by the Company and its Subsidiaries, excluding 2Go Group. The Company's fleet is composed twelve (12) tankers, four (4) barges, sixteen (16) cargo vessels, fourteen (14) tugboats, eleven (11) fastcrafts, twenty-eight (28) RoPax vessels, and one (1) floating dock. In addition, CSC charters two (2) tugboats and, from time to time, spot charters tankers from third parties to supplement the fleet.

Table 12: CLC Vessel List

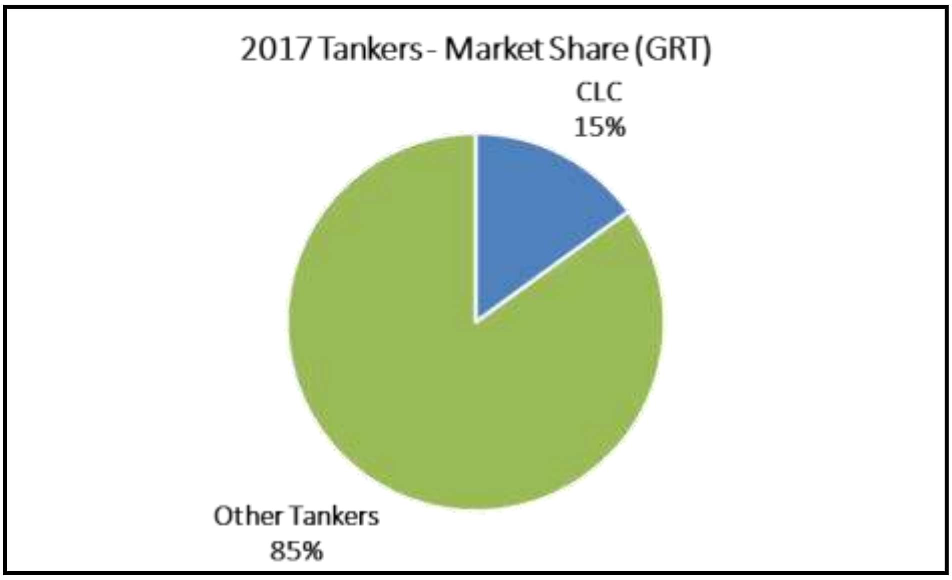
Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
M/T Chelsea Great Diamond	CSC	2012	Oil/Chemical Tanker	Bureau Veritas
M/T Chelsea Cherylyn*	CSC	2009	White Oil, Carrier, Tanker	Bureau Veritas
M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Resolute	CSC	1979	White Oil, Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker	Filipino Vessels Classification System Association, Inc.
M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker	Ocean Register of Shipping
M/T Chelsea Providence*	CSC	2013	Medium Range Oil Tanker	Lloyds Register
M/T Chelsea Denise II*	PNX – CSC	2012	Black / White Oil Carrier, Tanker	Bureau Veritas
M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker	American Bureau of Shipping
M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker	Bureau Veritas
M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker	Nippon Kaijii Kyokai
M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker	Korean Register of Shipping
[Chelsea Exuberance]	CSC	2015	Floating Dock	N/A
MV San Pedro Calungsod	PNX – CSC	1996	Cargo Container	DNV GL
MV San Lorenzo Ruiz Uno	PNX – CSC	1996	Cargo Container	Philippine Register of Shipping
MV St. Nicholas of Myra	PNX – CSC	1998	General Cargo	DNV GL
M/T Ernesto Uno	MI	1979	White Oil, Carrier, Tanker	Orient Register of Shipping
M/T Jasaan	MI	1990	Black Oil Carrier, Tanker	Ocean Register of Shipping
M/T BMI Patricia	BMI	1981	Black Oil Carrier, Tanker	Philippine Register of Shipping
MV Trans-Asia 1	Trans-Asia Shipping	1980	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 2	Trans-Asia Shipping	1977	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 3	Trans-Asia Shipping	1989	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 8	Oceanstar	1984	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 9	Oceanstar	1979	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 10	Trans-Asia Shipping	1979	Passenger Ship	Ocean Register of Shipping
MV Asia Philippines	Trans-Asia Shipping	1975	Passenger Ship	Philippine Register of Shipping
MV Trans-Asia 5	Trans-Asia Shipping	1989	Container Cargo Ship	Philippine Register of Shipping
MV Trans-Asia 12	Trans-Asia Shipping	1998	Container Cargo Ship	Ocean Register of Shipping
MV Trans-Asia 15	Trans-Asia Shipping	1995	Cargo Ship	Ocean Register of Shipping
MV Asia Pacific	Trans-Asia Shipping	1981	Other Cargo Ship	Ocean Register of Shipping

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
MV Trans-Asia 16*	Trans-Asia Shipping	1996	Cargo Ship	Nippon Kaijii Kyokai
MV Trans-Asia 17*	Trans-Asia Shipping	1999	Cargo Ship	Nippon Kaijii Kyokai
MV Trans-Asia 18*	Trans-Asia Shipping	1998	Passenger Ship	In-process
MV LCT Lapu Uno	Trans-Asia Shipping	2014	General Cargo Ship	Ocean Register of Shipping
M/Tugs Fortis I	FTC	1994	Tugboat	Orient Register of Shipping
M/Tugs Fortis II	FTC	1990	Tugboat	Orient Register of Shipping
M/Tug Fortis III	FTC	1972	Tugboat	Orient Register of Shipping
M/Tug Fortis V	FTC	1984	Tugboat	Orient Register of Shipping
M/Tug Fortis VI*	FTC	1989	Tugboat	Orient Register of Shipping
M/Tug Fortis VII	FTC	1984	Tugboat	Orient Register of Shipping
M/Tug Fortis VIII	FTC	1984	Tugboat	Orient Register of Shipping
M/Tug Fortis IX	FTC	2009	Tugboat	Orient Register of Shipping
M/Tug Fortis X	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Fortis XI	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Fortis XII	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Samal	DGMS	1974	Tugboat	Shipping Classification Standard of the Philippines, Inc.
M/Tug Pindasan	DGMS	1981	Tugboat	Shipping Classification Standard of the Philippines, Inc.
M/Tug Sigaboy	DGMS	1971	Tugboat	Shipping Classification Standard of the Philippines, Inc.
MV Starlite Ferry	SFI	1971	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Navigator	SFI	1971	Passenger and Cargo Ship	Philippine Registry of Shipping
MV Starlite Polaris	SFI	1974	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Annapolis	SFI	1982	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship	Philippine Registry of Shipping
MV Starlite Seajet	SFI	1978	Passenger Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Tamaraw	SFI	1981	Cargo Ship	Philippine Registry of Shipping
MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Archer	SFI	2017	Passenger and Cargo Ship	Nippon Kaiji Kyokai
West Ocean 1	2Go	1977	Cargo Ship	Ocean Register of Shipping
West Ocean 5	2Go	1979	Cargo Ship	Ocean Register of Shipping
San Agustin Uno	2Go	1985	Cargo Ship	DNV-GL
San Rafael Uno	2Go	1989	Cargo Ship	Philippine Registry of Shipping
San Rafael Dos	2Go	1985	Cargo Ship	Philippine Registry of Shipping
St. Nuriel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Uriel	2Go	1992	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Sealthiel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Jhudiel	2Go	1996	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Braquel	2Go	1996	Passenger Ship	Shipping Classification Standards of the

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
				Philippines, Inc.
St. Emmanuel	2Go	1998	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Camael	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Sariel	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
Supercat 36	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
Supercat 38	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Micah	2Go	1990	Passenger Ship	Ocean Register of Shipping
St. Michael the Archangel	2Go	1990	Passenger and RoRo	Korean Registry
St. Pope John Paul II	2Go	1984	Passenger and RoRo	Korean Registry
St. Leo the Great	2Go	1992	Passenger and RoRo	BV
St. Francis of Xavier	2Go	1991	Passenger and RoRo	Korean Registry
St. Therese of Child Jesus	2Go	1989	Passenger and RoRo	Philippine Registry of Shipping
St. Augustine of Hippo	2Go	1988	Passenger and RoRo	Ocean Registry Of Shipping
St. Anthony de Padua	2Go	1986	Passenger and RoRo	Ocean Registry Of Shipping
St. Ignatius of Loyola	2Go	1989	Passenger and RoRo	Ocean Registry Of Shipping

**vessels at dry docking stage*

Chart2: Tanker Market Share by GRT



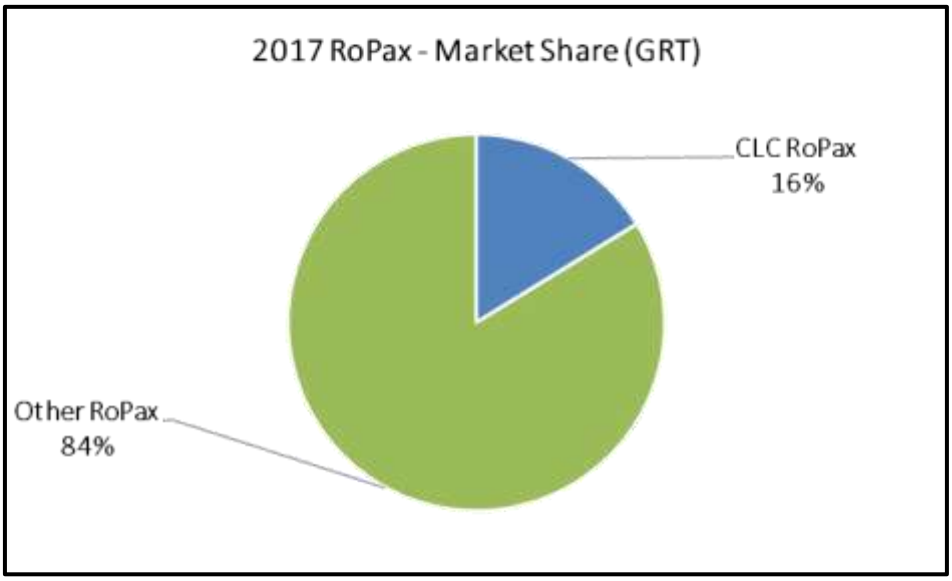
Source: MARINA Statistics as of December 2017

Table 13: Tanker Market Share by GRT

Tankers*> 500 GRT	CLC Tankers	Other Tankers	Total Tankers	CLC's % Market Share
Total GRT	39,362	222,427	261,789	15%
Total Count	15	125	140	11%

**includes Oil Tankers/Chemical Tankers/LPG Carriers/Gas Carriers/Tanker Barges*

Chart 3: RoPax Market Share by GRT



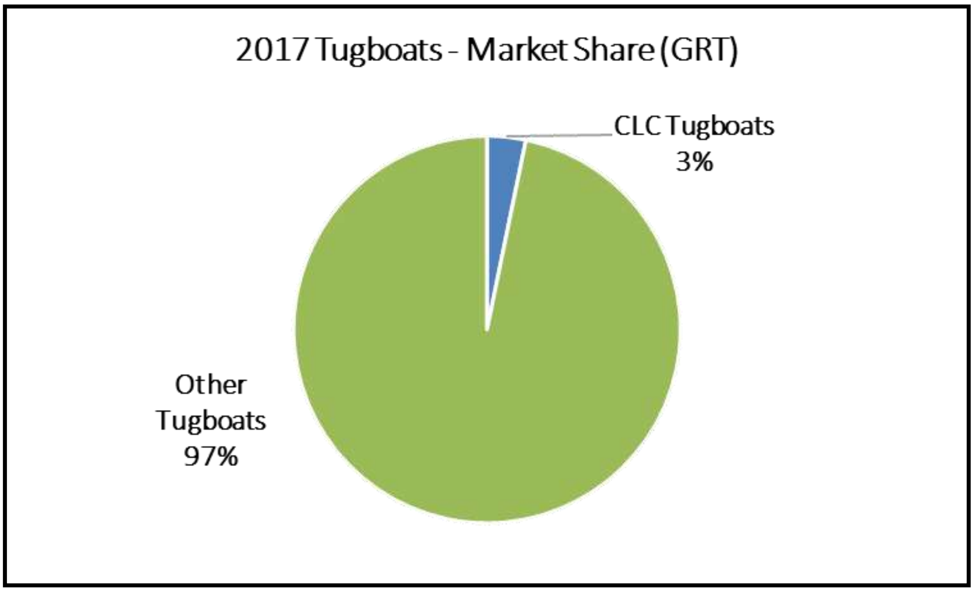
Source: MARINA Statistics as of December 31, 2017

Table 14: RoPax Market Share by GRT

RoPax* > 500 GRT	CLC RoPax**	Other RoPax	Total RoPax	CLC's % Market Share
Total GRT	62,031	335,411	382,361	16%
Total Count	25	847	872	2%

**includes cargo, passenger, passenger cargo, passenger ship, passenger/cargo, passenger/cargo ship, passenger/RoRo ship, RoRo cargo, RoRo passenger/cargo ship & RoRo Passenger*
***excluding 2Go Fleet*

Chart 4: Tugboat Market Share by GRT



Source: MARINA Statistics as of December 2017

Table 15: Tugboat Market Share by GRT

Tugboats > 500 GRT	CLC Tugboats	Other Tugboats	Total Tugboats	CLC's % Market Share
Total GRT	1,805	61,754	63,559	3%
Total Count	9	263	272	3%

With an average age of tankers of 16 years; barges of 27 years; tugboats of 33 years; and Ro-Ro vessels of 29 years, the Company is well within the industry average.

Strengths

CLC believes that it will benefit from the following competitive strengths:

Philippine shipping industry market leader by tanker capacity, ROPAX, and route shares

Based on the most recent MARINA information, CSC has the largest tanker fleet by tonnage amongst the six major tanker players in the industry with a total GRT of 39,362, constituting 15% of the Philippine market. In aggregate, the Group accounts for 36% of the RoPax market share by GRT, while in terms of market share by carrier, the Group accounts for 33% of the market as of December 31, 2017.

The Company, through its key acquisitions and fleet expansion, is keen on further building its scale and market leadership while increasing profitability and operating efficiency.

Superior fleet quality and capacity complemented by nationwide maritime facilities and systems

The Company's vessels are all classified and evaluated by Class Societies. A majority of the Company's vessels have been classified and evaluated by Orient Register of Shipping, Inc. and a number of vessels by Nippon Kaiji Kyokai ("NKK"), Bureau Veritas ("BV"), American Bureau of Shipping ("ABS"), Filipino Vessels Classification System Association, Inc. ("FVCSA") and the Philippine Register of Shipping ("PRS"). These classification societies are focused on marine vessels and some are recognized by the International Association of Class Societies ("IACS"). Classification is normally required for obtaining the requisite Certificate of Public Convenience ("CPC") from MARINA.

Classificationdistinguishes the Company's fleet as meeting operational and safety standards.The classification process likewise ensures that the Company's assets are reliable and vetted by industry experts. This is a distinct advantage as customers prefer to deal with companies that have classed vessels.

Additionally, CLC's fleet boasts the youngest average age for vessels in the industry, having a 17 year mean age for tankers and 29 years for RoPax. The Company is constantly on the lookout for value purchases from international shipbuilders in order to address its growing requirements, thereby serving to reduce the average age of its fleet in the process.

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

Seasoned Management Team of industry experts

Collectively, the Management Team of the Company includes the most experienced maritime professionals in the Philippine tanker, RoRo passenger, and cargo industries. All of the Company's captains are duly licensed by MARINA. Apart from their experience with the Company, most of the senior officers have had professional experience with other maritime companies, domestic and international, in various capacities. CLC's senior management has accumulated a total of 470-man years' worth of experience in the industry. The Company's senior and middle management regularly attend extensive professional and technical trainings to further upgrade skills and keep abreast of latest developments in the industry. This depth and breadth of experience shared by the senior management merits the Company an advantage in its pursuit of business opportunities and providing quality services.

Vertical and horizontal integration synergies with Group affiliates that complements a robust client base of prominent industry players with increasing demand requirements

CLC is the primary service provider of tanker services of PPPI. As PPPI continues to increase its market share, CLC capitalizes on this relationship by providing the corresponding vessel requirements needed to transport PPPI's products.

CLC also services other petroleum companies and major players in other industries such as Cebu Pacific Air, Inc., Petron Corporation, Seaoil Philippines, Inc., Chevron Philippines Inc., Pilipinas Shell Petroleum Corporation, and Seagull Marine Pte. Ltd. and SMC Shipping & Lighterage Corporation. Given CLC's great supply capacity, group synergies, and pioneering status in the industry, its client base will continue to outsource additional demand as they themselves grow. Further, CLC will expand to contiguous industries as the Philippine's shipping and logistics requirements are still vastly underserved.CLC is likewise the exclusive tugboat provider to all locators and port users at the private port of Calaca Industrial Seaport Corp. in Calaca, Batangas. In addition, CLC has the option to also operate in ports operated by its affiliate, PPPI. For its tankers, CLC enjoys priority berthing in all ports operated by its affiliates.

As the Company's affiliates proceed to increase their nationwide presence, CLC will continue to directly benefit from new routes opened or ports serviced in the process. Similarly, the ancillary servicesCLC provides will be made available to more companies in the adjacent locations the Company expands to along with its affiliates.CSC is the first in Philippine maritime history to bareboat charter its ships to an international charterer. Currently, two of its tankers are chartered by a prestigious Vietnamese shipping company under a five-year bareboat agreement, extendable for another five years upon mutual consent by both parties. The Company also taps the business partners of PPPI which require vessels for marine transport.

The Company has its sights set on capturing the regional market by adding medium-range tankers to its fleet, so it can service more international clients. Due to its existing relationships, CLC can already build a successful track record in providing solutions to regional players to attract more clients.

CLC holds significant beneficial interest in 2go Group Inc. 2Go is the largest supply chain enterprise and end-to-end solutions provider in the Philippines today. In May 1995, 2Go declared its Initial Public Offering putting up 235,714,285 shares on the PSE at ₱9.65 per share. This paved the way for expansion of the group, further developing its highly integrated supply chain platform. 2Go has the broadest network of strategically located warehouse operations and cross dock facilities nationwide; a logistics and distribution platform that enables national selling and merchandising for modern trade and convenience retailing; a national bulk transport network consisting of air, land and sea carriers that can fulfill both business-to-business (B2B) and business-to-customers (B2C) order through the group's Express network; and the widest cold chain delivery system and special bulk liquid carriers. 2Go also holds the distinction of being the most favored last-mile fulfiller of the fast-growing e-commerce industry, having the widest logistics network in the country. Beyond the local logistics market, 2Go offers international sourcing and consolidation, customs clearance and brokerage, project cargo management, heavy lift and special cargo handling, global containerized transport and international freight forwarding. 2Go Group boasts of having the biggest sea cargo capacity carried by its very own fleet of RoRo and cargo vessels. Auxiliary services such as manpower, trucking and forwarding, water barging, tugboat services, engineering services, arrastre and stevedoring services are also offered by an alliance group to 2Go. With this formidable network in place, 2Go's scope of carrying capabilities range from light personal parcels to heavy equipment, through land, sea, or air, either locally or internationally.

Strong acquisition track record.

The Company is committed to delivering unrivalled shipping and logistics services and continuously pursues its acquisition plans that are aligned with its vision of being the people's choice as the finest shipping and logistics company.

In 2017, the Company has reported the following key strategic acquisitions:

a. Substantial shareholdings in 2Go Group, Inc.

b. Acquisition of WorkLink Services, Inc.

c. Acquisition of Starlite Ferries, Inc.

These acquisitions have opened avenues for improved efficiency and margins due to synergies that exist within the Group. The results have provided CLC's EBITDA a 71% boost from ₱756 million in 2016 to ₱1,295 million in 2017 while GPM has improved as well from 23% to 27% over the same period. As the Company continues to acquire key assets, this serves to further increase its economies of scale and diversification into the industry's various subsectors. Currently, CLC is already the most diverse and integrated logistics Company in the Philippines, most notably by having established market leading status in each field.

Strategies

Establish regional presence

CLC acquired its first medium-range tanker in 2017, which is expected to be operational in 2018. This acquisition would enable the Company to enter the regional shipping markets space and explore new partnerships and opportunities from there. The Company currently renders services to a Vietnamese client, Seagull Marine via a bareboat agreement and can leverage on its existing international relationships to capture more business in the region. The Company has the immediate opportunity to address affiliate PPPI's import requirements from Singapore wherein the latter presently engages a third-party service provider to meet its logistics needs. This will establish better synergies and widen margins for the respective affiliates.

Re-fleeting and continuous upgrade of vessels

CLC prides itself on having one of the youngest and most classed fleets in the entire Philippine maritime industry. The Company plans to acquire new and optimal-sized tankers and RoPax vessels configured to the preference of cargo owners and passengers, respectively, to improve efficiency and profitability. The Company will continue to prioritize the implementation of preventive maintenance and rehabilitation measures for its older vessels in order to minimize wear-and-tear throughout the regular course of business. Similarly, it will sustain its pursuit for newer vessels in offshore markets that provide the best value options to CLC in order to reduce the payback period on the investments made. This strategy will mitigate the risks stemming from the ongoing fleet modernization program promoted by the Philippine government.

Expansion into new routes

As of the date of this Preliminary Prospectus, CLC's 33% market share by route already places it in a far leadership position against its closest competitor whose share amounts to only 10%. The Company capitalizes on first-mover advantage by expanding into areas in the Philippines which show superior growth. In general, however, the Company believes that the domestic market remains vastly underserved as current industry players lack the scale, expertise, and technology required to access majority of the peninsulas and islands across the archipelago.

CLC constantly monitors the activity of various ports in the country, including key performance indicators such as ship calls and throughput. The Company also takes into consideration the expansion initiatives of each port and region to determine potential business opportunities. This monitoring process is integrated into the strategic deployment of its fleet. The Company has identified 4 major high-potential routes within the country that connect key business and trade districts such as Palawan, Surigao, Davao, and General Santos. The Company will also enjoy certain incentives by continuing to pioneer and open new routes since the government provides exclusivity over those routes for a certain period that will jumpstart the Company's return on investment.

Accelerate growth through key acquisitions.

As it stands, CLC is the only fully integrated logistics provider with services that cover the widest suite of product offerings available to potential clients. CLC is actively evaluating proposed acquisitions of new shipping and logistics companies who have approached the Group. The completion of these acquisition plans will improve the profitability of the Company and increase its respective market shares among all metrics, cementing CLC's position as the dominant player in the shipping and logistics industry.

Development of facilities to support the Group's core business

CLC is looking for opportunities to acquire (i) ports, (ii) port equipment and facilities, (iii) delivery truck and machineries, (iv) shipyard, and (v) land for warehouse development, which would benefit the Company through reduction in costs of operations and would enable the Group to more reliably schedule the availability of the vessels after their respective regular maintenance period.

Similarly, the Company is developing support facilities for its core business, which facilities can be stand-alone businesses, separate from the core business, to wit:

a. Skills training and education facility;

b. Repair and maintenance and spare parts facility; and

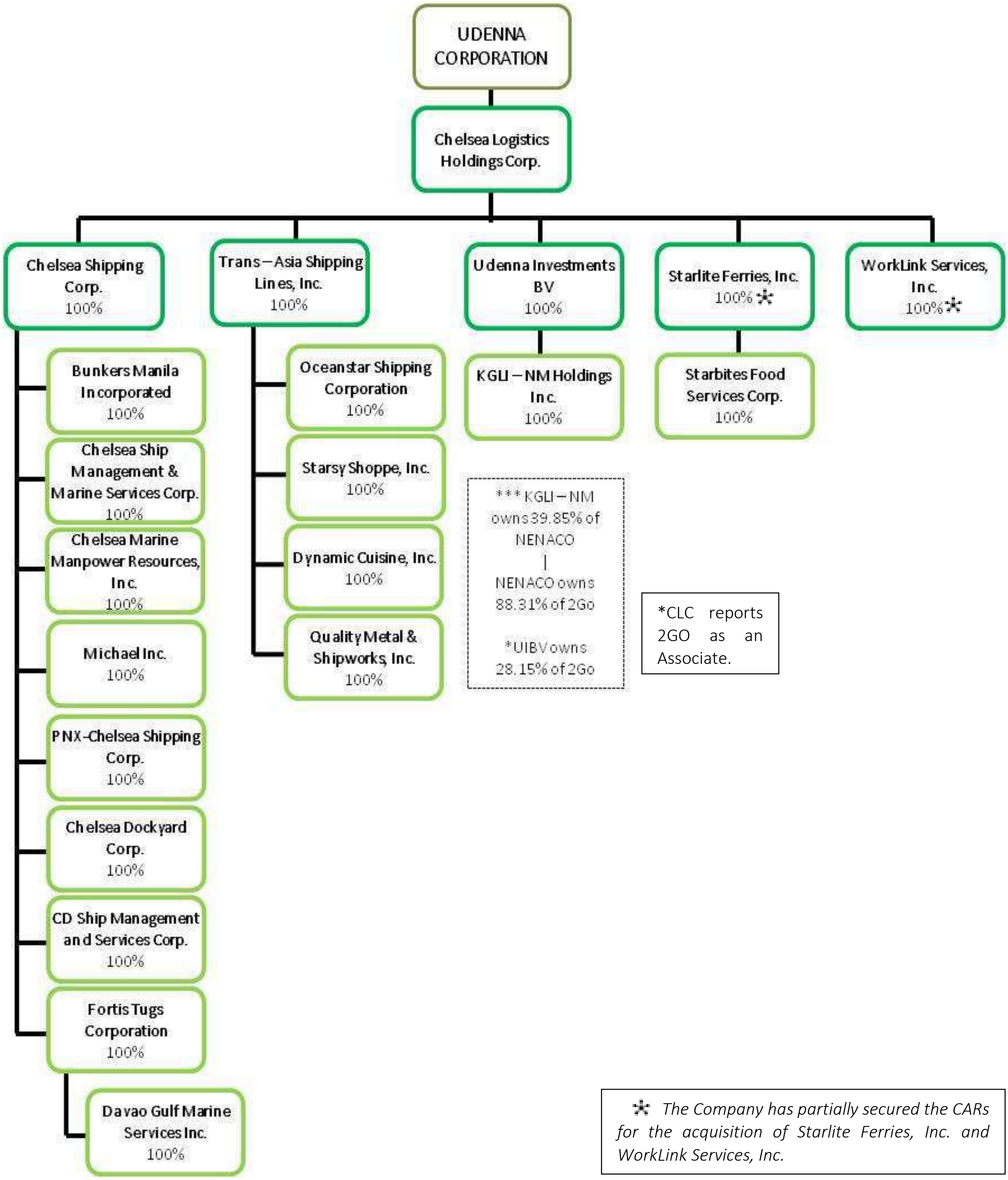
c. Culinary and catering facility.

The Company believes that the successful implementation of the above strategies will support its continued growth and profitability as well as providing other potential sources of income and talent to the Group's existing revenue mix and resource pool.

Subsidiaries and Associates

Below is a chart of the Company's present organizational structure:

Chart 5: CLC Organizational Structure as ofNovember 14, 2018



1. ***Chelsea Shipping Corp.***

CSC's wholly-owned subsidiaries are engaged in the following businesses:

1. PNX-Chelsea Shipping Corp., incorporated on February 2, 2011, is engaged in operating vessels for domestic trade for conveyance or carriage of petroleum products, goods, wares, and merchandise of every kind and description, to charter in and charter out any such vessels and to provide complete maritime services.

2. Fortis Tugs Corporation, incorporated on April 8, 2013, is engaged in the towage and salvage of marine vessels and other crafts including cargoes upon seas, lakes, rivers, bays, harbors, and other waterways between the various ports of the Philippines. Davao Gulf Marine Services Inc., a wholly-owned subsidiary of FTC, operates, conducts, and provides tug and other marine services to all vessels, foreign or coastwise that dock and undock in the District Port of Davao and all other ports in the Philippines.

3. Michael, Inc., incorporated on December 26, 1957, is engaged in the business of acquiring and operating floating equipment for charter or hire, and for conveyance and carriage of goods, wares and merchandise of every description in the Philippine coastwise traffic.

4. Bunkers Manila, Incorporated, incorporated on March 7, 2000, is engaged in operating inter-island vessels for domestic trade, to charter in and charter out any such vessels and to provide complete marine services, as principal or agent to ship owners, ship operators and managers, and to any person, association, firm or corporation engaged in domestic marine and maritime business.

5. Chelsea Ship Management & Marine Services Corp., incorporated on March 30, 2012, and which began commercial operations on August 15, 2012, is engaged in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

6. Chelsea Marine Manpower Resources Inc., incorporated on June 9, 2016, and which began commercial operations on August 1, 2016, is engaged in providing full and partial crewing for domestic and foreign vessels, and is authorized to act as representative and crew manager of shipping companies, and to provide allied maritime services for said vessels and companies.

7. Chelsea Dockyard Corp., incorporated on January 8, 2018, is engaged in the general business of building and repair of ships, boats and other kinds of vessels as well as in ship breaking activities.

8. CD Ship Management & Marine Services Corp., incorporated on March 14, 2018, is engaged in ship management and authorized to act as agent, broker, ship chandler or representative of foreign/domestic shipping corporations and individuals for the purpose of managing, operating, supervising, administering and developing the operation of vessels.

None of CLC's subsidiaries is under any bankruptcy, receivership or similar proceedings. Further, such subsidiaries have not engaged in any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets that is not in the ordinary course of business.

All applicable taxes for the Company's acquisition of its subsidiaries CSC and Trans-Asia, WSI, SFI,and additional issuance of shares were timely paid. The Certificates Authorizing Registration covering the acquisitions have been issued in favor of the relevant filing Company.

Shown below is the CSC fleet specification.

Table 16: CSC Vessel List

12 Tankers

Unit	Vessel Name	Registered Owner	Age	Class	GRT	Capacity in Barrels	Capacity in Liters
1	M/T Great Diamond	CSC	6	BV	9,366	91,667	16,500,000
2	M/T Great Princess	PNX - CSC	5	BV	9,366	92,935	16,728,280
3	M/T Chelsea Cherylyn	CSC	9	BV	4,126	34,088	6,135,834
4	M/T Chelsea Dominance	PNX - CSC	2	ABS	2,993	23,272	4,188,953
5	M/T Chelsea Denise II	PNX - CSC	6	BV	2,990	23,196	4,175,300
6	M/T Chelsea Endurance	PNX - CSC	12	NKK	2,547	21,862	3,935,160
7	M/T Chelsea Resolute	CSC	39	ORS	1,852	18,490	3,328,210
8	M/T Chelsea Charlize	PNX - CSC	3	KRS	1,589	13,611	2,450,000
9	M/T Chelsea Denise	CSC	33	ORS	1,138	10,451	1,881,175
10	M/T Ernesto Uno	MI	39	ORS	736	9,711	1,748,016
11	M/T Chelsea Enterprise	CSC	33	FVCSA	655	4,977	899,398
12	M/T Chelsea Providence	CSC	5	LR	29,877	339,650	54,000,000

4 Barges

Unit	Vessel Name	Registered Owner	Age	Class	GRT	Capacity in Barrels	Capacity in Liters
1	M/T Chelsea Excellence	CSC	20	ORS	736	6,989	1,258,030
2	M/T Chelsea Intrepid	CSC	24	ORS	435	4,550	818,972
3	M/T BMI Patricia	BMI	37	PRS	422	5,269	706,134
4	M/T Jasaan	MI	28	ORS	411	5,269	948,440

1 Floating Dock

Unit	Vessel Name	Registered Owner	Age	GRT	Length in Meters
1	M/T Chelsea Exuberance	CSC	3	12,551	150.0

14 Tugboats

Unit	Vessel Name	Registered Owner	Age	Class	GRT
1	M/Tugs Fortis I	FTC	24	ORS	210
2	M/Tugs Fortis II	FTC	28	ORS	276
3	M/Tug Fortis III	FTC	46	ORS	198
4	M/Tug Fortis V	FTC	34	ORS	155
5	M/Tug Fortis VI	FTC	29	ORS	178
6	M/Tug Fortis VII	FTC	34	ORS	140
7	M/Tug Fortis VIII	FTC	34	ORS	167
8	M/Tug Fortis IX	FTC	9	ORS	404
9	M/Tug Fortis X	FTC	30	ORS	496
10	M/Tug Fortis XI	FTC	30	ORS	75

Unit	Vessel Name	Registered Owner	Age	Class	GRT
11	M/Tug Fortis XII	FTC	30	ORS	196
12	M/Tug Samal	DGMS	44	SCSPI	220
13	M/Tug Pindasan	DGMS	37	SCSPI	231
14	M/Tug Sigaboy	DGMS	47	SCSPI	196

CSC and its subsidiaries, BMI, MI and PNX-Chelsea, provides four (4) types of charter services, namely, voyage charter, time charter, bareboat charter and continuing voyage charter, described as follows:

1. Voyage Charter

   The hiring of a vessel and crew for a voyage between a loading port and a discharging port. The charterer pays the vessel owner on a per-ton or lump-sum basis. The owner pays the port costs (excluding stevedoring), fuel costs and crew costs. The payment for the use of the vessel is known as freight. A voyage charter specifies a period, known as laytime, for unloading the cargo. If laytime is exceeded, the charterer must pay demurrage. If laytime is saved, the charter party may require the ship owner to pay dispatch to the charterer if applicable.

2. Time Charter

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

3. Bareboat Charter

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

4. Continuing Voyage Charter

   The same as in Voyage Charter except that this is exclusive for chartered vessels.

CSC's major customers include the following:

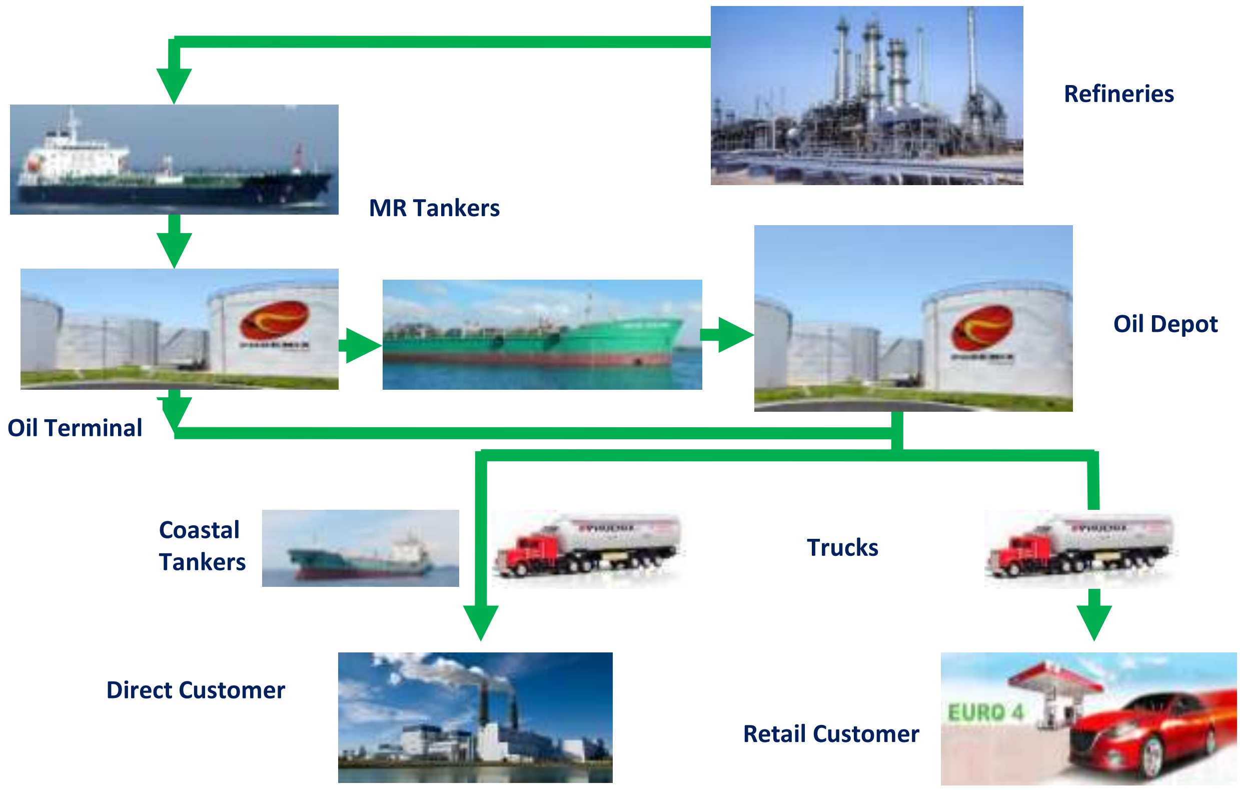
Phoenix Petroleum Philippines, Inc.– CSC has an existing time charter agreement for a period of six years commencing on January 1, 2016 covering M/Tkr Chelsea Resolute for a fixed monthly rate and M/Tkr Chelsea Denise II for a fixed daily rate. Charter rates are collected in advance at the beginning of each month. In addition, CSC has an existing three-year Contract of Affreightment commencing on May 2017.

Cebu Pacific Air, Inc. – CSC entered into a Contract of Affreightment for a period of three years commencing onJanuary8, 2015, renewable for another two years upon mutual consent by both parties. This contract has been renewed and extended until January 7, 2020. Charter rates are dependent on a per route and per liter basis. Term of payment is 30 days.

Petron Corporation / Seaoil Philippines, Inc. / Chevron Philippines, Inc. / Pilipinas Shell Petroleum Corporation – CSC provides spot charter/voyage charter arrangements with various oil players in the Philippines.

Seagull Marine Pte. Ltd. – CSC entered into a bareboat agreement covering M/Tkr Chelsea Thelma and M/Tkr Chelsea Donatela for a period of five years commencing in November 2016 and October 2016, respectively and renewable for another five years. Charter rates are based on a fixed monthly rate and collected in advance at the beginning of each month.

Chart 6: CLC Supply Chain



CSC caters to the need for marine transportation by chartering its vessels to other parties from the refinery to the customer's depot and/or from its depots to the customers' direct customers, retail networks and distributors.

2. ***Trans-Asia Shipping***

On the other hand, Trans-Asia Shipping's wholly owned subsidiaries are engaged in the following businesses:

1. Oceanstar Shipping Corporation, incorporated on July 6, 2016, is engaged in the business of domestic shipping for the transportation of passengers and cargoes within Philippine territorial seas and/or in high seas.

2. Starsy Shoppe, Inc., incorporated on March 31, 2005, is engaged in the purchase of all kinds of food and beverage products and merchandise, except rice and corn, locally and/or through importation for purposes of selling the same on retail or wholesale, either local and/or through importation.

3. Dynamic Cuisine, Inc., incorporated on June 21, 2000, is engaged in maintaining restaurants, coffee shops, refreshment parlors, cocktail lounges, bars, and in making, cooking, arranging, serving and catering goods, drinks, refreshments and other food or commodities commonly served in such establishments.

4. Quality Metal & Shipworks, Inc., incorporated on November 28, 2007, is engaged in providing machining and mechanical works on ship machineries and industrial plants.

Shown below are the Trans-Asia fleet specifications:

Table 17: Trans-Asia Vessel List

8 Passenger and Cargo Vessels

Unit	Vessel Name	Registered Owner	Age	Class	GRT	TEU Capacity	Passenger Capacity
1	MV Trans-Asia 1	Trans-Asia	38	ORS	11,457	200	1,132
2	MV Trans-Asia 2	Trans-Asia	41	ORS	1,390	27	622
3	MV Trans-Asia 3	Trans-Asia	29	ORS	2,908	16	835
4	MV Trans-Asia 8	Oceanstar	34	ORS	2,019	21	454
5	MV Trans-Asia 9	Oceanstar	39	ORS	5,500	16	742
6	MV Trans-Asia 10	Trans-Asia	39	ORS	3,998	26	932
7	MV Trans-Asia 18	Trans-Asia	20	Pending	2,334	60	433
8	MV Asia Philippines	Trans-Asia	43	PRS	1,053	15	531

7 Cargo Vessels

Unit	Vessel Name	Registered Owner	Age	Class	GRT	TEU Capacity	Passenger Capacity
1	MV Trans-Asia 5	Trans-Asia	29	PRS	3,812	36	-
2	MV Trans-Asia 12	Trans-Asia	20	ORS	3,508	158	-
3	MV Trans-Asia 15	Trans-Asia	23	ORS	6,384	400	-
4	MV Trans-Asia 16	Trans-Asia	22	NKK	6,251	508	-
5	MV Trans-Asia 17	Trans-Asia	19	NKK	6,543	550	-
6	MV LCT Lapu Lapu Uno	Trans-Asia	4	ORS	622	-	-
7	MV Asia Pacific	Trans-Asia	24	ORS	1,378	21	-

The different ports served by the above vessels are as follows: Manila, Cebu, Cagayan De Oro, Iligan, Iloilo, Tagbilaran, Ozamis, Tacloban, Masbate, and Zamboanga.

On 28 June 2018, the Company received the PCC's decision declaring void its 2016 acquisition of Trans-Asia Shipping for failure to notify and secure PCC approval of such acquisition. At the time of Chelsea's acquisition of Trans-Asia in December 2016, the size of transaction threshold for compulsory notification to the PCC under the Rules and Regulations to Implement the Philippine Competition Act ("PCA IRR") was ₱1.0 Billion. The PCC ruled that a notification should have been filed because Trans-Asia, at the time of Chelsea's share acquisition, had gross assets of ₱1.1 Billion, a little over the threshold.

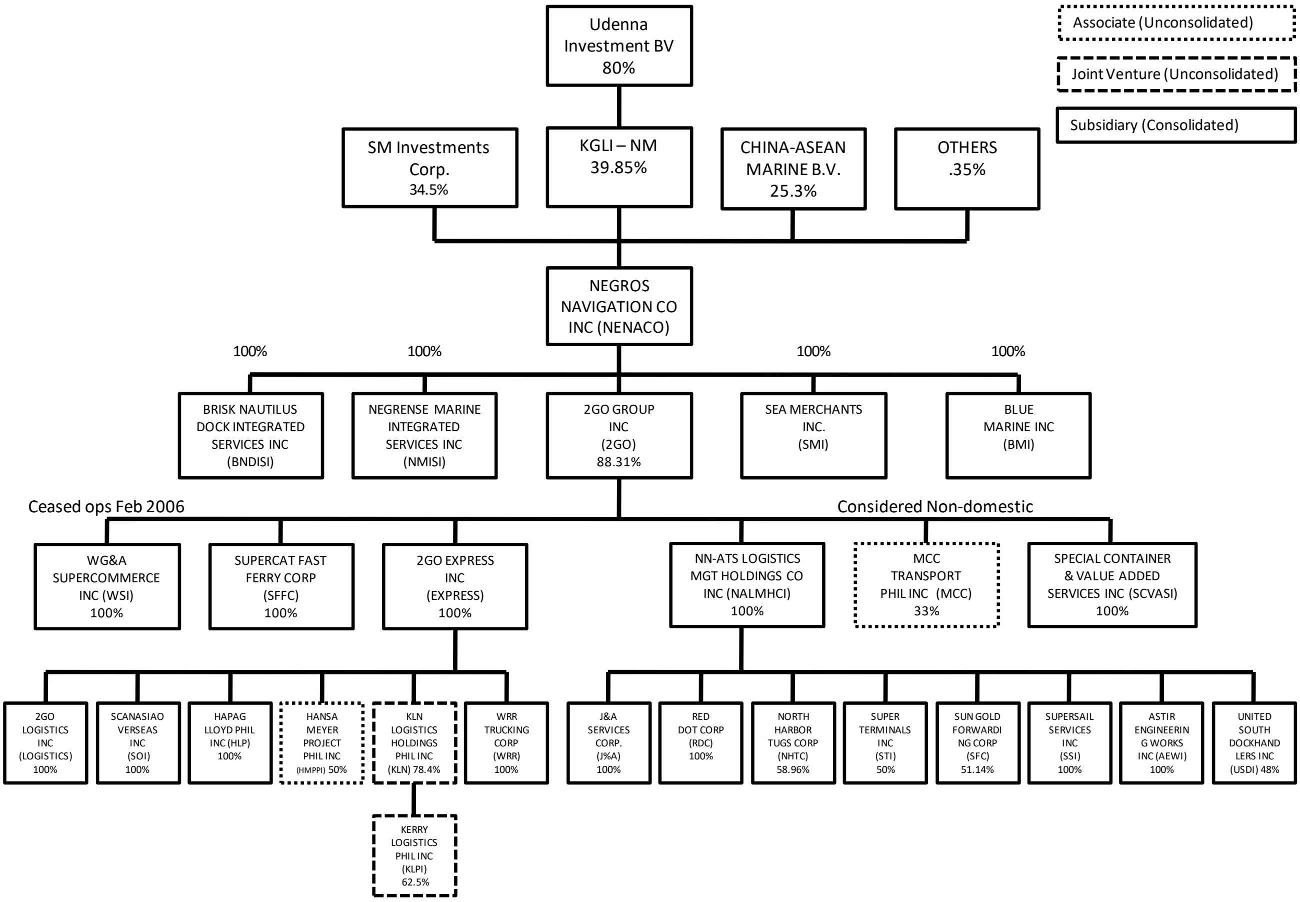
On 13 July 2018, the Company filed a Motion for Reconsideration with the PCC for redress with regard to the PCC's voiding of the acquisition of Trans-Asia Shipping and the penalty of ₱22.8 Million for non-notification. One of the legal grounds raised by CLC is that notification to the PCC was not required since Trans-Asia's NAV at the time of the sale was only ₱162 Million, not even half of notification threshold, due to the significant debts in Trans-Asia's books.

On September 5 2018, the Company received the order of the PCC setting the TASLI and the KGLI-NM acquisitions for joint hearing on 17 September 2018. At said hearing, CLC Chairman Dennis A. Uy confirmed that CLC intends to acquire TASLI and that CLC agreed to be bound by the remedies or conditions of the PCC to address the competition concerns arising from the acquisition of TASLI.

On September21, 2018, the Company and TASLI filed their separate Notification Forms on the TASLI acquisition, and now await the Notice of Sufficiency from the PCC regarding said Forms.

3. ***2Go Group Inc.***

Chart 7: 2Go Organizational Chart as ofNovember 14, 2018



On March 27, 2017, CLC acquired all of UIBV's outstanding capital stock through a share swap agreement with Udenna Corporation whereinUdenna Corporation transferred to CLC 18,200 UIBV shares.[3] In exchange, CLC issued 775,384,615 new common shares from its authorized and unissued capital stock in favor of Udenna Corporation.UIBV was incorporated on August 25, 1994 and is a private limited liability company organized under the Dutch Law. UIBV owns 80% economic interest in KGLI-NM, a domestic corporation which was incorporated on August 8, 2008 and was incorporated and registered with the Philippine SEC primarily as an investment holding company. KGLI-NM holds 39.85% economic interest in Nenaco. KGLI-NM acquired such interests in Nenaco on May 13, 2008. Nenaco, in turn owns 88.31% of 2Go. Hence, CLC has a

[3] In its Decision dated February 19, 2018, the Philippine Competition Commission declared the acquisition by Udenna of the KGL BV shares to be in violation of the notification requirements under the Philippine Competition Act and declared the same void. In the same Decision, a fine of P 19,667,175.19 (equivalent to 1% of the transaction value) was imposed on Udenna Corp. On March 16, 2018, Udenna Corporation filed with the PCC its Notification regarding this transaction. In the Order dated April 4, 2018, the PCC issued its Notice of Sufficiency regarding the Notification filed by Udennaand declared the commencement of the 30-day Phase 1 review period.

28.15% indirect economic interest in 2Go. Nenaco and 2Go are the largest supply chain enterprise and end-to-end solutions provider in the Philippines.

In 2017, 2GO has restated its 2015 and 2016 consolidated audited financial statements. These, however, do not impact CLC's acquisition of the indirect ownership in 2GO as the valuation was based on the forward-looking EBITDA of 2GO. The restatements are non-cash and non-recurring in nature, hence, have no effect on 2GO's EBITDA.

At the Annual Stockholders' Meeting of 2GO held on April 5, 2018, the stockholders approved the internal restructuring involving the merger of 2GO and Nenaco with 2GO as the surviving entity, subject to the final decision and approval of the terms of the merger by the Board of Directors. The objective of this merger is to simplify the corporate structure and to develop efficiencies and economies within the Group. This is in line with 2GO's efforts to streamline operations, reduce costs, and increase shareholder value. The timetable for implementation of the merger shall be announced, when applicable, as the same is subject to regulatory approval of the Securities and Exchange Commission. Upon completion of this planned restructuring, the effective ownership of the Company in 2GO will be subject to change depending on the participation of the remaining public shareholders in the tender offer process.

On 28 June 2018, the PCC issued its decision regarding Chelsea's acquisition of additional direct shareholdings in KGLI-NM and consequent consolidation of ownership over 2GO. This decision is, in turn, dependent on the final outcome of the PCC's decision on the validity of the Trans-Asia shipping acquisition.

On July 18, 2018, the Company filed its Motion for Partial Reconsideration of the above KGLI-NM Decision wherein the Company prayed that it be allowed to proceed with the transaction without the PCC's imposed condition voiding the acquisition of Trans-Asia.

On September 5, 2018, the Company received the order of the PCC setting the TASLI and the KGLI-NM acquisitions for joint hearing on 17 September 2018. At said hearing, CLC Chairman Dennis A. Uy confirmed that CLC intends to acquire TASLI and that CLC agreed to be bound by the remedies or conditions of the PCC to address the competition concerns arising from the acquisition of TASLI.

On September 21, 2018, the Company and TASLI filed their separate Notification Forms on the TASLI acquisition, and now await the Notice of Sufficiency from the PCC regarding said Forms.

The Issuer is not required to consolidate its investments in 2Go as the Issuer does not presently exercise control over 2Go. PFRS 10, Consolidated Financial Statements, provides that *"an investor controls an investee if and only if the investor has all the following: (a) power over the investee; (b) exposure, or rights to, variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of investor's return"*.

Mr. Dennis A. Uy, the Issuer's Founder and Chairman of the Board, was first appointed as member of 2Go's Board of Directors on February 6, 2017. In the April 7, 2017 Board Meeting, he was appointed as President and Chief Executive Officer of 2Go, while Ms. Ma. Concepcion F. de Claro was appointed as Director representing the Company.

Mr. Uy's appointment as a member of the Board of Directors allows the Issuer to participate in the financial and operating policy decisions of 2Go. The Issuer's investment in 2Go is accounted for as an investment in an associate in accordance with PAS 28, *Investment in an Associate*. At 2Go's annual stockholders meeting held on September 20, 2017, Mr. Uy has been appointed as the company's Chairman of the Board. On April 5, 2018, Dennis A. Uy was re-appointed as Chairman of the Board, and Ma. Concepcion F. De Claro was re-appointed as Director, while CLC President & CEO Chryss Alfonsus V. Damuy was appointed as a Director.

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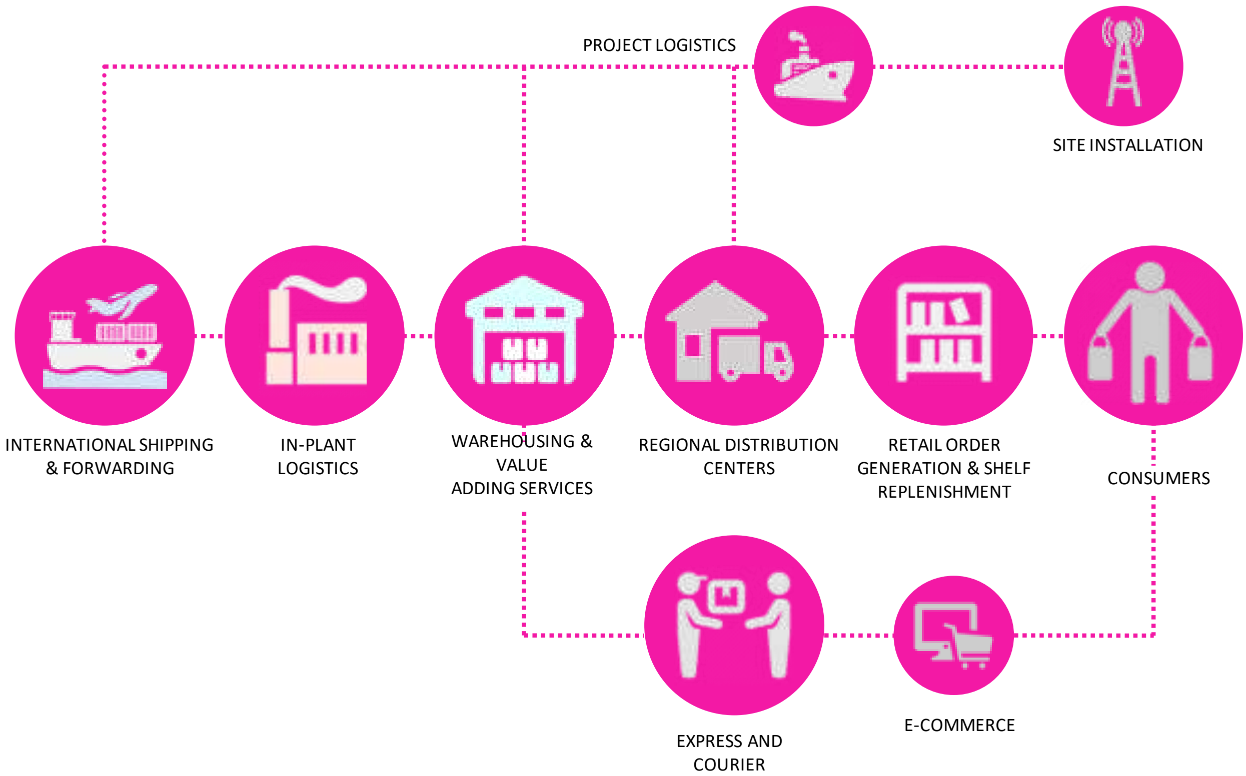
As of December 31, 2017, 2Go and its subsidiaries have a total fleet of twenty-six (26) operating vessels. The fleet consists of fast crafts, RoRo/RoPax vessels, and freighters and chartered vessels from third parties. These operating vessels have a combined Gross Registered Tonnage of approximately 128,337 metric tons, a total passenger capacity of approximately13,561passengers and an aggregate cargo capacity of approximately 3,724 twenty-foot equivalent units ("**TEUs**").

2Go also operates eight(8) RoRo/RoPax vessels calling on Manila as their homeport. These vessels are larger coastwise vessels that sail from Luzon to Visayas and Mindanao. This includes three (3) medium-sized vessels, formerly called the Cebu Ferries, two (2) of which have Batangas as its homeport, plying the Batangas-Caticlan route, while the other vessel calls on Manila as homeport and serves the Palawan route. The eight (8) fast craft passenger vessels, on the other hand, are smaller fast crafts that ply short distances. 2Go also operates eight(8) purely-cargo vessels to fully complement its freight business.

Table 18: 2Go Group Vessel Fleet

Name of Vessel	Registered Owner	Age	Class	GRT	TEU Capacity	Passenger Capacity
West Ocean 1	2Go	41	ORS	1,495	150	---
West Ocean 5	2Go	39	ORS	3,060	150	---
San Agustin Uno	2Go	33	DNV-GL	3,062	175	---
San Rafael Uno	2Go	29	PRS	7,624	260	---
San Rafael Dos	2Go	33	PRS	7,337	244	---
St. Nuriel	2Go	18	SCSPI	265	---	314
St. Uriel	2Go	26	SCSPI	229	---	293
St. Sealthiel	2Go	18	SCSPI	265	---	314
St. Jhudiel	2Go	22	SCSPI	293	---	247
St. Braquel	2Go	22	SCSPI	293	---	247
St. Emmanuel	2Go	20	SCSPI	176	---	301
St. Camael	2Go	1	SCSPI	272	---	300
St. Sariel	2Go	1	SCSPI	272	---	300
Supercat 36	2Go	28	SCSPI	238	---	320
Supercat 38	2Go	28	SCSPI	238	---	320
St. Micah	2Go	28	ORS	296	---	247
St. Michael the Archangel	2Go	28	KRS	17,781	181	1,929
St. Pope John Paul II	2Go	34	KRS	15,223	212	1,988
St. Leo the Great	2Go	26	BV	19,468	193	1,284
St. Francis of Xavier	2Go	27	KRS	11,191	181	1,910
St. Therese of Child Jesus	2Go	29	PRS	17,781	182	1,200
St. Augustine of Hippo	2Go	30	ORSC	2,778	50	1,064
St. Anthony de Padua	2Go	32	ORSC	1,792	32	892
St. Ignatius of Loyola	2Go	29	ORSC	2,825	59	1,096
San Lorenzo Ruiz Uno	PNX-CSC	22	PRS	5,549	340	---
St. Nicholas of Myra	PNX-CSC	20	DNV-GL	3,893	190	---
San Pedro Calungsod	PNX-CSC	22	DNV-GL	6,393	240	---

Chart 8: 2Go Supply Chain



4. ***WorkLink Services, Inc.***

WSI was incorporated on June 2, 1994 to provide efficient, effective and reliable courier, forwarding, trucking and logistics services to 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.

On November 8, 2017, CLC acquired 100% ownership of WSI in pursuit of its vision of becoming the preferred total logistics provider in the Philippines. The application for Certificate Authorizing Registration for this acquisition has been filed with the Bureau of Internal Revenue with partial approval and certificate received by the Company to date. However, notwithstanding the pending issuance of the relevant Certificate Authoritizing Registration, CLC has acquired all beneficial ownership over WSI including, without limitation, the right to vote all the shares in WSI.

As of the date of thisPreliminary Prospectus, WSI has 4 warehouses located in Manila, Cebu, Davao and Bacolod and owns 17 delivery trucks, which it uses in moving goods and cargoes to approximately 59 locations throughout the Philippines.

5. ***Starlite Ferries, Inc.***

SFI was incorporated on August 25, 1994 to provide safe, competent, dependable, and environmentally responsible marine transportation service. With the growing demand market in the Batangas trade lanes, the Batangas - Calapan route then had daily average passenger traffic of 10,000 people and an average vehicle count of 1,500 to 2,000 units.

SFI is one of the dominant shipping companies in Southern Luzon and has established itself as the main choice of passengers in the Batangas – Calapan and Roxas – Caticlantrade routes.

On November 9, 2017, CLC acquired 100% ownership of SFI, folding into the group 14 roll-on/roll-off passenger vessels. The application for Certificate Authorizing Registration for this acquisition has been filed by the Company with the Bureau of Internal Revenuewith partial approval and certificate received by the Company to date. However, notwithstanding the pending issuance of the relevant Certificate Authoritizing Registration, CLC has acquired all beneficial ownership over SFI including, without limitation, the right to vote all the shares in SFI.

Shown below are the SFI fleet specifications:

Table 19: SFI Vessel List

Unit	Vessel Name	Registered Owner	Age	Class	GRT	Passenger Capacity
1	MV Starlite Annapolis	SFI	36	SCSPI	1,176	712
2	MV Starlite Archer	SFI	1	NKK	2,725	788
3	MV Starlite Eagle	SFI	2	NKK	2,712	711
4	MV Starlite Ferry	SFI	47	SCSPI	574	320
5	MV Starlite Jupiter	SFI	29	PRS	723	276
6	MV Starlite Navigator	SFI	47	PRS	1,101	504
7	MV Starlite Pacific	SFI	35	SCSPI	499	390
8	MV Starlite Pioneer	SFI	3	NKK	2,682	711
9	MV Starlite Polaris	SFI	44	SCSPI	241	204
10	MV Starlite Reliance	SFI	3	NKK	2,705	711
11	MV Starlite Saturn	SFI	2	NKK	2,700	711
12	MV Starlite Seajet	SFI	40	SCSPI	130	120
13	MV Starlite Tamaraw	SFI	37	PRS	510	-

These vessels service the ports of Batangas, Calapan, Puerto Galera, Odiongan, Roxas, Caticlan and Mindoro.

Domestic and International Expansion and Re-fleeting Initiatives

The Company believes that the successful implementation of the above strategies will support its continued growth and profitability as it will increase the Company's market share and make it the clear leader in the Philippine shipping industry.

Expansion of services offered

The Company has recently acquired a medium-range (MR) tanker to service existing importation requirements of PPPI. Part of the Company's medium-term strategy includes the acquisition of additional vessels for route expansions, and development of additional logistics facilities to service the increasing demand in courier forwarding segment of the business. Also, the Company capitalizes on first-mover advantage by expanding into areas in the Philippines which show superior growth.

Competition

Tankers

The transport of petroleum products is one of the most essential businesses that propel the growth of the Philippine economy. There are approximately 7,100 islands in the country, of which more than half are inhabited. The populace needs fuel for transportation, electrical power, farming and other activities. It is the oil tankers and trucks which make sure that fuel is transported to places in our country where and when it is needed.

The latest records of the MARINA show that there are about 293 oil tanker vessels of different sizes in the country. Majority of these vessels are 500 GRT or below, and the rest are from about 501 GRT to 5052 GRT. The aggregate tonnage of these tankers is about 310,292 GRT.

There are seven (7) major tanker owners in the Philippines, each owning four (4) or more vessels. These tanker owners account for a total of about 65 vessels and an aggregate tonnage of about 105,764 GRT.

There has also been a significant improvement in the quality of the tanker vessels plying Philippine waters. From old, single hull vessels, there has been a shift to double-hulled vessels designed for environmental protection/ pollution prevention.

Main competitors include:

1. Petrolift Group
2. Herma Shipping Group
3. Shogun Ships Co., Inc.
4. Via Marine
5. Magsaysay Group

Tugboats

Tugboats are small, powerful boats that are used to maneuver vessels of larger size by pushing and towing them. These are especially useful in narrow & difficult waterways and crowded ports. Although tugboats are usually utilized for docking & undocking procedures, they also have a wide range of applications including vessel rescue and steering structures without an independent propulsion system. Without tugboats, entry and exit of vessels from ports would be markedly less efficient and vessels would experience faster wear and tear.

According to the latest records from the MARINA, there are 791 registered tugboats in the Philippines. More than half of these tugboats are less than 100 GRT. Majority of smaller GRT tugboats hold a Bay & River trading license from MARINA while bigger vessels hold a Coastwise license. The top two industry players in the tugboat industry account for more than 24% of the total tugboats over 100 GRT.

A growing economy is a positive outlook for the tugboat industry. Industry sales are directly correlated to the amount of trade a country undergoes, as servicing cargo vessels account for a big portion of the industry.

Main competitors in providing tugboat services include:

1. Harbor Star Shipping Services, Inc.
2. Malayan Towage and Salvage Corporation
3. Pilot-operated Tugs

RoPax

RoPax refers to vessels that can accommodate passengers along with freight vehicle transport. Given the archipelagic nature of the country, RoPax vessels are vital in transporting people andgoods across the different islands. Given their accessibility and capability of ferrying large amounts of goods and manpower, passenger and freight vessels are an integral part of the logistical backbone of the Philippines.

There are more than 7,100 RoRo and Passenger vessels registered with the MARINA. A large majority of this (98%) is less than 500 GRT and is personally owned. The largest industry players for commercial vessels account for more than a third of the aggregate tonnage of 355,773.

Main competitors include:

1. Asian Marine Transport Corporation
2. Cokaliong Shipping Lines, Inc.
3. Lite Shipping Corporation
4. Montenegro Shipping Inc.
5. Archipelago Philippine Ferries Corporation

Suppliers

The Company primarily sources its vessels, fuel requirements and other supply requirements from the following suppliers. However, there is no dependence or exclusivity from said sources, except for the Company's fuel requirements, which are exclusively supplied by PPPI.

Vessels

1. China Shipbuilding & Exports Corporation
2. Animo Haulers and Ship Management Corp.
3. Capital Post InvestmentsLtd.

Fuel and Lubricants

1. PPPI
2. Petron Corporation
3. Chevron Philippines

Shipyard

1. Keppel Philippines Marine, Inc.
2. Josefa Slipways, Inc.
3. Seafront Shipyard and Port Terminals Services, Inc.

Third-party Charters

1. Shogun Ships Co., Inc.
2. Philippine National Lines, Inc.
3. Delsan Transport Lines, Inc.

Paints

1. Main Coat, Inc.
2. Megapaints and Coating Corporation
3. PPG Coating Philippines, Inc.

Employees

As of March 31, 2018, the Company has a total of 10,884 employees, 1,939 of which are crewmen and are stationed at various ports of operation, while the other 8,945 employees are office personnel or are members of support services. We expect to employ at least 500 additional employees in the next twelve months.

Crewmen consist of captains, engineers, mechanics, divers, and able-bodied personnel. On the other hand, office personnel are comprised of the sales and marketing group, accounting and finance professionals, administrative services employees and the operations department.

A bachelor's degree in a relevant field is required of each one of the Company's directly-hired employees. For deck and engine crew, a MARINA-issued Qualification Document Certification is also mandated by the Company prior to employment.

Benefits received by employees include government-mandated benefits (Social Security System, Pag-ibig, and PhilHealth), rice subsidies, vacation leave of 15 days per year, health plans, and retirement pay. The Company supports employee development thru the conduct of in-house seminars, drills and training. Employees are enrolled in various technical, professional, management and leadership training, here and abroad. One of CLC's subsidiaries, Trans-Asia Shipping, has two (2) existing labor unions, one for its supervisors and one for its rank and file employees. Both unions are due to have their collective bargaining agreement (**"CBA"**) negotiations this year. The relationship with the unions has been generally harmonious and there has been no incidence of labor strikes in the past three (3) years, up to the present. There is also no impending or threatened labor strike.

Out of the Company's 10,884 employees, 3,270 are regular employees, 560 are probationary, 6,507 are contractual, and 547 are apprentice.

Table 20: Employee Breakdown per Department

Category	Regular	Probationary	Contractual	Apprentice	Total
Office of the President	12	2	1	-	15
Operations	1,952	373	5,591	-	7,916
Support	723	120	162	-	1,005
Crew	583	65	744	547	1,939
Consultants	-	-	9	-	9
Grant Total	**3,270**	**560**	**6,507**	**547**	**10,884**

Description of Property

Trans-Asia owns land located at M.J. Cuenco Ave. corner Osmeña Blvd., Brgy. San Nicholas, Cebu City consisting of 1,509.28 SQM and a building constructed thereon with a total floor area of 2,940 SQM, which houses Trans-Asia Shipping's main office. Trans-Asia also owns two (2) container yards located at Quezon Blvd. within Pier 5, North Reclamation Area, Brgy. Cebu Port Center, Cebu City and Julio Pacana St., Puntod, Cagayan de Oro City with an aggregate area of 11,738SQM. These properties are used to secure the payment of certain bank loans.

The Group owns various tankers, barges, RoPax, cargo vessels and tugs which are utilized in its business. The following table sets forth information on these vessels that each company owns as of December 31, 2017.

Table 21: CLC Vessel List

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
M/T Chelsea Great Diamond	CSC	2012	Oil/Chemical Tanker	Bureau Veritas
M/T Chelsea Cherylyn*	CSC	2009	White Oil, Carrier, Tanker	Bureau Veritas
M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Resolute	CSC	1979	White Oil, Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker	Filipino Vessels Classification System Association, Inc.
M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker	Ocean Register of Shipping
M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker	Ocean Register of Shipping
M/T Chelsea Providence*	CSC	2013	Medium Range Oil Tanker	Loyds Register
M/T Chelsea Denise II*	PNX – CSC	2012	Black / White Oil Carrier, Tanker	Bureau Veritas
M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker	American Bureau of Shipping
M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker	Bureau Veritas
M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker	Nippon Kaijii Kyokai
M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker	Korean Register of Shipping
[Chelsea Exuberance]	CSC	2015	Floating Dock	N/A
MV San Pedro Calungsod	PNX – CSC	1996	Cargo Container	DNV GL
MV San Lorenzo Ruiz Uno	PNX – CSC	1996	Cargo Container	Philippine Register of Shipping
MV St. Nicholas of Myra	PNX – CSC	1998	General Cargo	DNV GL
M/T Ernesto Uno	MI	1979	White Oil, Carrier, Tanker	Orient Register of Shipping
M/T Jasaan	MI	1990	Black Oil Carrier, Tanker	Ocean Register of Shipping
M/T BMI Patricia	BMI	1981	Black Oil Carrier, Tanker	Philippine Register of Shipping
MV Trans-Asia 1	Trans-Asia Shipping	1980	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 2	Trans-Asia Shipping	1977	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 3	Trans-Asia Shipping	1989	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 8	Oceanstar	1984	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 9	Oceanstar	1979	Passenger Ship	Ocean Register of Shipping
MV Trans-Asia 10	Trans-Asia Shipping	1979	Passenger Ship	Ocean Register of Shipping
MV Asia Philippines	Trans-Asia Shipping	1975	Passenger Ship	Philippine Register of Shipping
MV Trans-Asia 5	Trans-Asia Shipping	1989	Container Cargo Ship	Philippine Register of Shipping
MV Trans-Asia 12	Trans-Asia Shipping	1998	Container Cargo Ship	Ocean Register of Shipping
MV Trans-Asia 15	Trans-Asia Shipping	1995	Cargo Ship	Ocean Register of Shipping
MV Asia Pacific	Trans-Asia Shipping	1981	Other Cargo Ship	Ocean Register of Shipping
MV Trans-Asia 16*	Trans-Asia Shipping	1996	Cargo Ship	Nippon Kaijii Kyokai
MV Trans-Asia 17*	Trans-Asia Shipping	1999	Cargo Ship	Nippon Kaijii Kyokai
MV Trans-Asia 18*	Trans-Asia Shipping	1998	Passenger Ship	In-process
MV LCT Lapu Uno	Trans-Asia Shipping	2014	General Cargo Ship	Ocean Register of Shipping
M/Tugs Fortis I	FTC	1994	Tugboat	Orient Register of Shipping
M/Tugs Fortis II	FTC	1990	Tugboat	Orient Register of Shipping
M/Tug Fortis III	FTC	1972	Tugboat	Orient Register of Shipping
M/Tug Fortis V	FTC	1984	Tugboat	Orient Register of Shipping

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
M/Tug Fortis VI*	FTC	1989	Tugboat	Orient Register of Shipping
M/Tug Fortis VII	FTC	1984	Tugboat	Orient Register of Shipping
M/Tug Fortis VIII	FTC	1984	Tugboat	Orient Register of Shipping
M/Tug Fortis IX	FTC	2009	Tugboat	Orient Register of Shipping
M/Tug Fortis X	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Fortis XI	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Fortis XII	FTC	1988	Tugboat	Orient Register of Shipping
M/Tug Samal	DGMS	1974	Tugboat	Shipping Classification Standard of the Philippines, Inc.
M/Tug Pindasan	DGMS	1981	Tugboat	Shipping Classification Standard of the Philippines, Inc.
M/Tug Sigaboy	DGMS	1971	Tugboat	Shipping Classification Standard of the Philippines, Inc.
MV Starlite Ferry	SFI	1971	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Navigator	SFI	1971	Passenger and Cargo Ship	Philippine Registry of Shipping
MV Starlite Polaris	SFI	1974	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Annapolis	SFI	1982	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship	Philippine Registry of Shipping
MV Starlite Seajet	SFI	1978	Passenger Ship	Shipping Classification Standards of the Philippines Inc.
MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Tamaraw	SFI	1981	Cargo Ship	Philippine Registry of Shipping
MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
MV Starlite Archer	SFI	2017	Passenger and Cargo Ship	Nippon Kaiji Kyokai
West Ocean 1	2Go	1977	Cargo Ship	Ocean Register of Shipping
West Ocean 5	2Go	1979	Cargo Ship	Ocean Register of Shipping
San Agustin Uno	2Go	1985	Cargo Ship	DNV-GL
San Rafael Uno	2Go	1989	Cargo Ship	Philippine Registry of Shipping
San Rafael Dos	2Go	1985	Cargo Ship	Philippine Registry of Shipping
St. Nuriel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Uriel	2Go	1992	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Sealthiel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Jhudiel	2Go	1996	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Braquel	2Go	1996	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Emmanuel	2Go	1998	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Camael	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Sariel	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
Supercat 36	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
Supercat 38	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
St. Micah	2Go	1990	Passenger Ship	Ocean Register of Shipping
St. Michael the Archangel	2Go	1990	Passenger and RoRo	Korean Registry

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
St. Pope John Paul II	2Go	1984	Passenger and RoRo	Korean Registry
St. Leo the Great	2Go	1992	Passenger and RoRo	BV
St. Francis of Xavier	2Go	1991	Passenger and RoRo	Korean Registry
St. Therese of Child Jesus	2Go	1989	Passenger and RoRo	Philippine Registry of Shipping
St. Augustine of Hippo	2Go	1988	Passenger and RoRo	Ocean Registry Of Shipping
St. Anthony de Padua	2Go	1986	Passenger and RoRo	Ocean Registry Of Shipping
St. Ignatius of Loyola	2Go	1989	Passenger and RoRo	Ocean Registry Of Shipping

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
1. M/T Chelsea Great Diamond	CSC	2012	Oil/Chemical Tanker	Bureau Veritas
2. M/T Chelsea Cherylyn*	CSC	2009	White Oil, Carrier, Tanker	Bureau Veritas
3. M/T Chelsea Denise	CSC	1985	Black / White Oil Carrier, Tanker	Ocean Register of Shipping
4. M/T Chelsea Resolute	CSC	1979	White Oil, Carrier, Tanker	Ocean Register of Shipping
5. M/T Chelsea Enterprise	CSC	1985	Black Oil Tanker	Filipino Vessels Classification System Association, Inc.
6. M/T Chelsea Excellence	CSC	1998	White Oil, Carrier, Tanker	Ocean Register of Shipping
7. M/T Chelsea Intrepid	CSC	1994	Black Oil Tanker	Ocean Register of Shipping
8. M/T Chelsea Providence*	CSC	2013	Medium Range Oil Tanker	Lloyds Register
9. M/T Chelsea Denise II*	PNX – CSC	2012	Black / White Oil Carrier, Tanker	Bureau Veritas
10. M/T Chelsea Dominance	PNX – CSC	2016	Product Oil Tanker	American Bureau of Shipping
11. M/T Chelsea Great Princess	PNX – CSC	2013	Oil/Chemical Tanker	Bureau Veritas
12. M/T Chelsea Endurance	PNX – CSC	2006	Product Oil Tanker	Nippon Kaijii Kyokai
13. M/T Chelsea Charlize	PNX – CSC	2015	Product Oil Tanker	Korean Register of Shipping
14. [Chelsea Exuberance]	CSC	2015	Floating Dock	N/A
15. MV San Pedro Calungsod	PNX – CSC	1996	Cargo Container	DNV GL
16. MV San Lorenzo Ruiz Uno	PNX – CSC	1996	Cargo Container	Philippine Register of Shipping
17. MV St. Nicholas of Myra	PNX – CSC	1998	General Cargo	DNV GL
18. M/T Ernesto Uno	MI	1979	White Oil, Carrier, Tanker	Orient Register of Shipping
19. M/T Jasaan	MI	1990	Black Oil Carrier, Tanker	Ocean Register of Shipping
20. M/T BMI Patricia	BMI	1981	Black Oil Carrier, Tanker	Philippine Register of Shipping
21. MV Trans-Asia 1	Trans-Asia Shipping	1980	Passenger Ship	Ocean Register of Shipping
22. MV Trans-Asia 2	Trans-Asia Shipping	1977	Passenger Ship	Ocean Register of Shipping
23. MV Trans-Asia 3	Trans-Asia Shipping	1989	Passenger Ship	Ocean Register of Shipping
24. MV Trans-Asia 8	Oceanstar	1984	Passenger Ship	Ocean Register of Shipping
25. MV Trans-Asia 9	Oceanstar	1979	Passenger Ship	Ocean Register of Shipping
26. MV Trans-Asia 10	Trans-Asia Shipping	1979	Passenger Ship	Ocean Register of Shipping
27. MV Asia Philippines	Trans-Asia Shipping	1975	Passenger Ship	Philippine Register of Shipping
28. MV Trans-Asia 5	Trans-Asia Shipping	1989	Container Cargo Ship	Philippine Register of Shipping
29. MV Trans-Asia 12	Trans-Asia Shipping	1998	Container Cargo Ship	Ocean Register of Shipping
30. MV Trans-Asia 15	Trans-Asia Shipping	1995	Cargo Ship	Ocean Register of Shipping
31. MV Asia Pacific	Trans-Asia Shipping	1981	Other Cargo Ship	Ocean Register of Shipping
32. MV Trans-Asia 16*	Trans-Asia Shipping	1996	Cargo Ship	Nippon Kaijii Kyokai
33. MV Trans-Asia 17*	Trans-Asia	1999	Cargo Ship	Nippon Kaijii Kyokai

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
	Shipping			
34. MV Trans-Asia 18*	Trans-Asia Shipping	1998	Passenger Ship	In-process
35. MV LCT Lapu Uno	Trans-Asia Shipping	2014	General Cargo Ship	Ocean Register of Shipping
36. M/Tugs Fortis I	FTC	1994	Tugboat	Orient Register of Shipping
37. M/Tugs Fortis II	FTC	1990	Tugboat	Orient Register of Shipping
38. M/Tug Fortis III	FTC	1972	Tugboat	Orient Register of Shipping
39. M/Tug Fortis V	FTC	1984	Tugboat	Orient Register of Shipping
40. M/Tug Fortis VI*	FTC	1989	Tugboat	Orient Register of Shipping
41. M/Tug Fortis VII	FTC	1984	Tugboat	Orient Register of Shipping
42. M/Tug Fortis VIII	FTC	1984	Tugboat	Orient Register of Shipping
43. M/Tug Fortis IX	FTC	2009	Tugboat	Orient Register of Shipping
44. M/Tug Fortis X	FTC	1988	Tugboat	Orient Register of Shipping
45. M/Tug Fortis XI	FTC	1988	Tugboat	Orient Register of Shipping
46. M/Tug Fortis XII	FTC	1988	Tugboat	Orient Register of Shipping
47. M/Tug Samal	DGMS	1974	Tugboat	Shipping Classification Standard of the Philippines, Inc.
48. M/Tug Pindasan	DGMS	1981	Tugboat	Shipping Classification Standard of the Philippines, Inc.
49. M/Tug Sigaboy	DGMS	1971	Tugboat	Shipping Classification Standard of the Philippines, Inc.
50. MV Starlite Ferry	SFI	1971	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
51. MV Starlite Pacific	SFI	1983	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
52. MV Starlite Navigator	SFI	1971	Passenger and Cargo Ship	Philippine Registry of Shipping
53. MV Starlite Polaris	SFI	1974	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
54. MV Starlite Annapolis	SFI	1982	Passenger and Cargo Ship	Shipping Classification Standards of the Philippines Inc.
55. MV Starlite Jupiter	SFI	1989	Passenger and Cargo Ship	Philippine Registry of Shipping
56. MV Starlite Seajet	SFI	1978	Passenger Ship	Shipping Classification Standards of the Philippines Inc.
57. MV Starlite Pioneer	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
58. MV Starlite Tamaraw	SFI	1981	Cargo Ship	Philippine Registry of Shipping
59. MV Starlite Eagle	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
60. MV Starlite Reliance	SFI	2015	Passenger and Cargo Ship	Nippon Kaiji Kyokai
61. MV Starlite Saturn	SFI	2016	Passenger and Cargo Ship	Nippon Kaiji Kyokai
62. MV Starlite Archer	SFI	2017	Passenger and Cargo Ship	Nippon Kaiji Kyokai
63. West Ocean 1**	2Go	1977	Cargo Ship	Ocean Register of Shipping
64. West Ocean 5**	2Go	1979	Cargo Ship	Ocean Register of Shipping
65. San Agustin Uno	2Go	1985	Cargo Ship	DNV-GL
66. San Rafael Uno	2Go	1989	Cargo Ship	Philippine Registry of Shipping
67. San Rafael Dos	2Go	1985	Cargo Ship	Philippine Registry of Shipping
68. St. Nuriel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
69. St. Uriel	2Go	1992	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
70. St. Sealthiel	2Go	2000	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
71. St. Jhudiel	2Go	1996	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
72. St. Braquel	2Go	1996	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
73. St. Emmanuel	2Go	1998	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.

Name of Vessel	Registered Owner	Year Built	Type	Vessel Classification
74. St. Camael	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
75. St. Sariel	2Go	2017	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
76. Supercat 36	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
77. Supercat 38	2Go	1990	Passenger Ship	Shipping Classification Standards of the Philippines, Inc.
78. St. Micah	2Go	1990	Passenger Ship	Ocean Register of Shipping
79. St. Michael the Archangel	2Go	1990	Passenger and RoRo	Korean Registry
80. St. Pope John Paul II	2Go	1984	Passenger and RoRo	Korean Registry
81. St. Leo the Great	2Go	1992	Passenger and RoRo	BV
82. St. Francis of Xavier	2Go	1991	Passenger and RoRo	Korean Registry
83. St. Therese of Child Jesus	2Go	1989	Passenger and RoRo	Philippine Registry of Shipping
84. St. Augustine of Hippo	2Go	1988	Passenger and RoRo	Ocean Registry Of Shipping
85. St. Anthony de Padua	2Go	1986	Passenger and RoRo	Ocean Registry Of Shipping
86. St. Ignatius of Loyola	2Go	1989	Passenger and RoRo	Ocean Registry Of Shipping

**vessels at dry docking stage*
***operated by 2Go under a bare boat agreement*

Permits

Set out below are the Philippine regulatory permits material to our business. Based on the opinion issued by our independent counsel and unless otherwise indicated below, the material permits, and licenses required for our operations are valid and subsisting.

Table 22: Permits: Tankers and Tugboats Segments

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate of Ownership	Maritime Industry Authority (MARINA)	Issued to each vessel		No Expiry
Certificate of Vessel Registry	MARINA	Issued to each vessel		No Expiry
Certificate of Public Convenience	MARINA	Issued to the Company	PNX-CSC May 17, 2017 CSC May 17, 2017 BMI September 9, 2015 MI July 24, 2015 FTC October 11, 2013	Every 5 Years from date of issuance
Cargo Ship Safety Equipment Certificate	MARINA	Issued to each vessel		One Year
Cargo Ship Safety Construction Certificate	MARINA	Issued to each vessel		One Year

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Minimum Safe Manning Certificate	MARINA	Issued to each vessel		One Year
Coastwise License	MARINA	Issued to each vessel		One Year
Loadline Certificate	MARINA	Issued to each vessel		5 years with annual endorsement
Certificate of Entry and Acceptance (P&I)	Steamship Mutual Underwriting Association	Issued to each vessel		One Year
Certificate of Insurance &Liability of Oil Pollution Damage	MARINA	Issued to each vessel		One Year
Ship Station License	National Telecommunications Commission	Issued to each vessel		One Year
International Oil Pollution Prevention Certificate	Philippine Coast Guard	Issued to each vessel		5 years with annual survey
Oily Water Separator Accreditation	Philippine Coast Guard	Issued to each vessel		3 years
Sewage Pollution Prevention Certificate	Accredited MARPOL Surveyor	Issued to each vessel		5 Years
Shipboard Oil Pollution Emergency Plan	Philippine Coast Guard	Issued to each vessel		One Year
Certificate of Stability	MARINA	Issued to each vessel		5 Years subject to endorsement from date of latest inclining Test
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry
Continuous Synopsis Record	MARINA	Issued to each vessel		No Expiry
Document of Compliance	MARINA	Issued to Ship Management Company, Chelsea Ship Management & Marine Services Corp.	April 1, 2014	5 years with annual verification
Safety Management Certificate (Interim)	MARINA	Issued to each vessel		5 years with annual verification
National Ship Security Certificate	Office for Transportation Security	Issued to each vessel		5 years, subject to audit after 2 and a half years
Ship Sanitation Control Certificate	Bureau of Quarantine	Issued to each vessel		6 months
Classification	Classification Society	Issued to each		5 years

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate	*(See Table 21 for list of issuers.)*	vessel		
MARINA Accreditation Certificate	MARINA	Issued to the Company	PNX-CSC, CSC, BMI and MI June 26, 2015	3 years
Permit to Operate	Philippine Ports Authority	Issued to the Company		One Year

Table 23: Permits: RoPax Segments

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate of Public Convenience	Maritime Industry Authority (MARINA)	Issued to each vessel		Every 5 Years from date of issuance
MARINA Accreditation	MARINA	Issued to the Company		Three Years
Certificate of Ownership	MARINA	Issued to each vessel		No Expiry
Certificate of Philippine Registry	MARINA	Issued to each vessel		No Expiry
Cargo / Passenger Ship Safety Certificate	MARINA	Issued to each vessel		One Year
Minimum Safe Manning Certificate	MARINA	Issued to each vessel		One Year
Ship Station License	NTC VII	Issued to each vessel		One Year
Coastwise License	MARINA	Issued to each vessel		One Year
Document of Compliance	MARINA	Issued to Ship Management Company		5 years (Subject to Annual Verification and Endorsement)
Safety Management Certificate	MARINA	Issued to each vessel		Five (5) Years (With Intermediate endorsement)
Load Line Certificate	MARINA	Issued to each vessel		Five (5) Years (Subject to Annual endorsement)
Certificate of Stability	MARINA	Issued to each vessel		Five (5) Years (Subject to endorsement after 5 years or after latest Inclining Test)
Trim & Stability Calculation Booklet	MARINA	Issued to each vessel		
Class Certificate	ORS	Issued to each vessel		

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Oil Pollution Prevention Certificate of Compliance	PCG	Issued to each vessel		Five (5) years subject to Annual Survey
Oily Water Separator Accreditation	PCG	Issued to each vessel		Three (3) Years
Garbage Management Plan	PCG	Issued to each vessel		Three (3) Years
Shipboard Oil Pollution Emergency Plan	PCG	Issued to each vessel		Three (3) Years
Ship Sanitation Control Certificate	BOQ VII	Issued to each vessel		Six (6) Months
Admeasurement Data Report	MARINA	Issued to each vessel		
Passenger Insurance (Convoy)	Visayan Surety & Insurance Corporation	Issued to each vessel		One Year
Compliance Certificate (CSM)	MARINA	Issued to each vessel		Five (5) years subject to Annual Endorsement
Marine Hull Insurance	Pioneer	Issued to each vessel		One Year
Passenger Insurance	Oriental	Issued to each vessel		One Year
Certificate of Compliance (COC 65/65-A)	MARINA	Issued to each vessel		One Year
Certificate of Compliance (COC 150)	MARINA	Issued to each vessel		One Year
Certificate of Compliance (COC 72)	MARINA	Issued to each vessel		No Expiry
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry
DOT Accreditation	DOT VII	Issued to each vessel		One Year
CCTC License	CCTC	Issued to each vessel		One Year
National Ship Security Certificate	OTS	Issued to each vessel		Five (5) Years subject to Intermediate Audit and Verification
Continuous Synopsis Record	MARINA	Issued to each vessel		No Expiry

Table 24: Permits: Rolling Cargo Segments

Accreditation	Issuing Office	Validity	Issue Date	Expiration
Certificate of Ownership (CO)	Maritime Industry Authority	Issued to each vessel		No Expiry

Accreditation	Issuing Office	Validity	Issue Date	Expiration
	(MARINA)			
Certificate of Registry (CPR)	MARINA	Issued to each vessel		No Expiry
Passenger Ship Safety Certificate (PSSC)	MARINA	Issued to each vessel		One Year
Minimum Safe Manning Certificate (MSMC)	MARINA	Issued to each vessel		One Year
Ship Station License (SSL)	NTC	Issued to each vessel		One Year
Coastwise License (CWL)	MARINA	Issued to each vessel		One Year
Document of Compliance (DOC)	MARINA	Issued to the Company	January 8, 2018	One Year
Interim Safety Management Certificate (ISMC)	MARINA	Issued to each vessel		One Year
Loadline (LLC)	MARINA	Issued to each vessel		Five Years
Certificate of Stability (COS)	MARINA	Issued to each vessel		Five Years
Certificate of Classification (Class)	Classification Society *(See Table 21 for list of issuers.)*	Issued to each vessel		Five Years
Oil Pollution Prevention Certificate (OPPC)	PCG	Issued to each vessel		Five Years
Oily Water Separator (OWS)	PCG	Issued to each vessel		Three Years
Ship Sanitation Control Certificate (SSCC)	BUREAU OF QUARANTINE	Issued to each vessel		One Year
International Sewage Pollution Prevention Certificate(ISPPC)	Regatta Marine & Certification Service Co.	Issued to each vessel		Four Years
Passenger Insurance Policy	MALAYAN INSURANCE	Issued to the Company	January 19, 2018	One Year
Domestic Shipping Business (Accreditation Certificate)	MARINA	Issued to the Company	March 11, 2016	Three Years
Cargo Securing Manual Compliance Certificate (CSMCC)	MARINA	Issued to each vessel		Five Years
Certificate of Compliance 65/65-A (MC65-65 A)	MARINA	Issued to each vessel		One Year
Certificate of Compliance 72	MARINA	Issued to each vessel		No Expiry
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry

Accreditation	Issuing Office	Validity	Issue Date	Expiration
Marine Hull Insurance	PIONEER	Issued to each vessel		One Year
National Ship Security Certificate	OFFICE FOR TRANSPORTATION SECURITY (OTS)	Issued to each vessel		Five Years

Material Lease Contracts

The Company and its subsidiaries also lease various properties for use in their respective businesses, as follows:

Table 25: Material Lease Contracts

Lessee	Lessor	Leased Property	Lease Rate	Term	Renewal Clause
Chelsea Shipping Corp.	Fort Legend Towers Corporation	26th Floor of Fort Legend Tower located at 3rd Avenue cor. 31st Street, Fort Bonifacio Global City, Taguig City with a total tenantable area of 1,042.26 sqm.	₽613.37/SQM subject to 10% escalation on the 2ndyear and 6% annual escalation thereafter.	Initial term - 5 years from June 15, 2009 to June 14, 2014. Renewed term – extended until November 30, 2018.	3 year renewal at the option of the Lesseewith prior written notice 180 days before theend of the lease term, subject to mutually agreed terms.
Chelsea Shipping Corp.	Valueleases, Inc.	Six (6) transportation equipment including three Honda Civic, one Isuzu D-Max, one Ford Expedition and one Toyota Innova.	P230,245 per month, exclusive of VAT.	One year	None.
Chelsea Ship Management & Marine Services Corp.	Phoenix Petroterminals & Industrial Park Corp.	Single storey warehouse-type building inside the Industrial Park with an area of 1,050 sqm.	₽315,500 per month, exclusive of VAT, 5% annual escalation.	10 years upon turnover of the single storey building. The building will be constructed within 4 months from signing of the Contract (October 14, 2015)	Renewable upon mutual agreement of the Parties
Trans-Asia Shipping Lines,	Amelia Y. Lua	One (1) door warehouse, a	₽77,500.00 per month and	December 15, 2015 to	Option to renew by the

Lessee	Lessor	Leased Property	Lease Rate	Term	Renewal Clause
Inc.		portion of a property situated at Pier 4, Reclamation Area, Cebu City with an area of 775 sqm.	subject to 10% annual escalation.	December 16, 2020	Lessee subject to a 60-day notice to the Lessor

For the next twelve (12) months, the Company intends to acquire properties discussed under *Use of Proceeds* on page 44.

Legal Proceedings

In the course of the Company's business, it has been involved in legal proceedings both as plaintiff and defendant. The Company's management believes that an adverse resolution in such cases will not materially affect the financial position of the Company. The Company is not involved in any legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Company is aware) which it believes may have a material adverse effect on the financial position of the Company.

1. Michael, Incorporated vs. Pilipinas Kao Incorporated, Civil Case No. 37046, Regional Trial Court of Cebu City; (b)Pilipinas Kao, Inc. vs. Michael, Inc., Civil Case No. 37180, Regional Trial Court of Cebu City.

   These consolidated cases which were filed in September 2010, refer to the Complaint of MI against Pilipinas Kao, Inc. (**"PKI"**) for Collection of Sum of Money and Damages with Prayer for Preliminary Attachment, and PKI's Complaint against MI for Specific Performance, Reimbursement and Damages.

   The transactions subject of the complaints refer to the Charter Agreement between MI and PKI whereby MI agreed to transport on its vessel M/Tkr Ernesto Uno the crude coconut oil (**"CCO"**) of PKI. The Charter Agreement was for a period of two (2) years from January 8, 2009 to January7, 2011, and the agreed Charter Rate was₱2,050,000 per month. From December 2009 to July 2010, MI transported PKI's CCO from Mindanao to various ports of destination, and accordingly billed PKI Charter Fees in the amount of ₱15,921,666.67. However, PKI refused to pay the Charter Fees on its allegation that the CCO transported by MI was contaminated with seawater. In its Answer to PKI's Complaint, MI alleged that it proposed several plans to PKI to resolve the alleged contamination but the same were refused by PKI.

   As these cases have been consolidated, they are being jointly heard. The cross-examination of MI's witness Ignacia S. Braga IV was completed at the March 9, 2017 hearing. The hearing scheduled on June 23, 2017 for the opening of the deposition of Virgen Hernandez was reset due to the unavailability of the Presiding Judge.

2. Fortis Tugs Corporation vs. Marinemax Shipping Corporation and Vicente Sandoval, Jr.,Civil Case No.027, Regional Trial Court of Taguig City.

   This Complaint, which was filed on March23, 2016, seeks to recover from defendants the sum of ₱11,613,082.78, which represents payment for the tugboat services rendered by the plaintiff to the defendants from the period November 2013 to October 2015. The plaintiff has a prayer for the issuance of a Writ of Preliminary Attachment against the properties of the defendants on the ground that the latter are guilty of fraud in issuing checks to the plaintiff in payment of their obligations and thereafter issuing a stop payment order on the said checks. Plaintiff also prayed for the grant of Exemplary Damages in the amount of ₱100,000 and Attorney's Fees in the same amount.

Defendants filed a Motion to Dismiss the Complaint filed by Fortis Tugs, while the plaintiff filed its Motion to Declare Defendants in Default. Both Motions have been submitted for resolution. Plaintiff has also filed its Motion for Issuance of a Warrant of Arrest against defendant Vicente Sandoval, and is awaiting resolution of the same.

3. Ryan Subong et.al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No, 26205, Regional Trial Court of Iloilo City.

The original Complaint was filed by 79 plaintiffs on April 11, 2000. Plaintiffs were the passenger-survivors and heirs of the casualties of the sinking of MV Asia South Korea which sank off the vicinity of Bantayan Island en route to Iloilo on December 23, 1999. Their total claim for damages is in the amount of ₱380,000,000.00. An Amended and Second Amended Complaint were filed in April and August 2000 respectively. Defendant Trans- Asia Shipping's main defense is that the cause of the accident was *force majeure* as the vessel was seaworthy and properly manned at the time of accident.

On April 18, 2013, the Regional Trial Court issued its Decision ordering Trans-Asia Shipping to pay ₱801,000.00 for four deaths and ₱585,000.00 for 13 survivors or a total of ₱1,386,000.00. Although Trans-Asia Shipping offered to pay in accordance with the Decision, not a single plaintiff accepted payment. Instead, some of the plaintiffs filed their Motion for New Trial, some filed Motion of Reconsideration of the Decision, and some filed their Notice of Appeal.

The trial court issued an Order granting new trial for two plaintiffs, and set the hearing for reception of evidence for said plaintiffs. The trial court also issued its Order dated March 22, 2016 modifying the award of damages to ₱8,865,399.96 for four deaths and 11 survivors, plus 15% interest on the total monetary award. Trans-Asia Shipping filed its Motion for Reconsideration of the two Orders, which was denied by the trial court. Trans-Asia Shipping has filed its Notice of Appeal. At the May 17, 2017 hearing, plaintiff manifested that they are willing to study the settlement of the case. The case is set for hearing on July13, 2017 to allow the parties to discuss settlement.

In August 2017, the parties signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of ₱8,839,313.95 for thirteen 13 Complainants (4 Deaths and 9 Survivors). In October 2017, another three (3) plaintiffs signed a Compromise Agreement whereby Trans-Asia Shipping paid the total amount of ₱594,250.00. On October 6, 2017, the trial court issued its Orders approving the two Compromise Agreements and declaring the case as CLOSED AND TERMINATED insofar as the 16 Complainants are concerned.

Trans-Asia Shipping is currently working for the settlement of the remaining three (3) plaintiffs (all survivors) with a probable settlement amount from ₱600,000.00 to ₱1,000,000.00 only.

4. Nelly A. Gangoso, et. al. vs. Trans-Asia Shipping Lines, Inc., Civil Case No. CEB-36075, Regional Trial Court of Cebu City.

This Complaint was filed by 5 plaintiffs on October 2009 arising from the sinking of MV Asia South Korea. A Compromise Agreement dated June 18, 2013 was entered into by four of the plaintiffs pursuant to which said plaintiffs agreed to withdraw their claims against Trans-Asia Shipping in return for the payment by defendant of the amount of ₱75,000.00 each to said plaintiffs. Plaintiff Nelly A. Gangoso pursued this case against Trans-Asia Shipping. Plaintiff Nelly Gangoso and defendant Trans-Asia have completed the presentation of their respective documentary and testimonial evidence. Plaintiff has filed her Memorandum, and defendant was supposed to file its Memorandum on April 28, 2017. On May 28, 2017, a Decision was issued by the trial court, awarding total of ₱1,050,000 in favor of the plaintiff. Trans-Asia filed its Motion for Reconsideration of the said Decision, which was denied. Trans-Asia filed its Appeal which is now pending resolution by the Court of Appeals.

5. Trans-Asia Shipping Lines, Inc. vs. Philippine Fire and Marine Insurance Corporation, et.al. Civil Case No. 39098, Regional Trial Court of Cebu City.

This Complaint was filed by Trans-Asia in September 2012 to collect the insurance proceeds arising from the sinking of MV Asia Malaysia, which proceeds are in the approximate amount of ₱120,000,000. Said Complaint was filed when defendant Philippine Fire only offered to pay the amount of ₱50,000,000. Defendant Philippine Fire filed its Motion to Dismiss the complaint on the ground of lack of jurisdiction and insufficient docket fees paid. When said Motion to Dismiss was denied, defendant Philippine Fire filed a Petition for Certiorari with the Court of Appeals in December 2014. Said Petition for Certiorari was dismissed by the Court of Appeals on June 28, 2016. OnMarch30, 2017, the regional trial court issued an Order setting the case for pre-trial on June9, 2017. At the 9 June hearing, the case was remanded to the Executive Judge for transfer to Branch 11, which is the only commercial court in Cebu City.

At Branch 11, Philippine Fire filed a Motion to Suspend Proceedings attaching the Notice of Stay Order issued by the Insurance Commission. Trans-Asia filed its Opposition to Philippine Fire's Motion to Suspend Proceedings. This matter is now pending resolution by the trial court.

Need for Government Approvals on Services

The government approvals required for services rendered by the Company are enumerated in the succeeding table below, including the issuing government agency, validity of license/accreditation, and expiration date of license/accreditation. Government approvals are discussed further on the section "*Regulatory Framework*" found on page 161 of this Preliminary Prospectus.

Table 26: Government Approvals: Tankers and Tugboats Segments

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate of Ownership	Maritime Industry Authority (MARINA)	Issued to each vessel		No Expiry
Certificate of Vessel Registry	MARINA	Issued to each vessel		No Expiry
Certificate of Public Convenience	MARINA	Issued to the Company	PNX-CSC June24, 2014 CSC May 18, 2017 BMI September 2, 2015 MI July 11, 2015 FTC October 17, 2013	Every 5 Years from date of issuance
Cargo Ship Safety Equipment Certificate	MARINA	Issued to each vessel		One Year
Cargo Ship Safety Construction Certificate	MARINA	Issued to each vessel		One Year
Minimum Safe Manning Certificate	MARINA	Issued to each vessel		One Year
Coastwise License	MARINA	Issued to each vessel		One Year
Loadline Certificate	MARINA	Issued to each vessel		5 years with annual endorsement
Certificate of Entry and Acceptance (P&I)	Steamship Mutual Underwriting Association	Issued to each vessel		One Year
Certificate of Insurance &Liability of Oil Pollution Damage	MARINA	Issued to each vessel		One Year
Ship Station License	National Telecommunications Commission	Issued to each vessel		One Year
International Oil Pollution Prevention Certificate	Philippine Coast Guard	Issued to each vessel		5 years with annual survey
Oily Water Separator Accreditation	Philippine Coast Guard	Issued to each vessel		3 years
Sewage Pollution Prevention Certificate	Accredited MARPOL Surveyor	Issued to each vessel		5 Years
Shipboard Oil Pollution Emergency Plan	Philippine Coast Guard	Issued to each vessel		One Year

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate of Stability	MARINA	Issued to each vessel		5 Years subject to endorsement from date of latest inclining Test
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry
Continuous Synopsis Record	MARINA	Issued to each vessel		No Expiry
Document of Compliance	MARINA	Issued to Ship Management Company, Chelsea Ship Management & Marine Services Corp.	April 1, 2014	5 years with annual verification
Safety Management Certificate (Interim)	MARINA	Issued to each vessel		5 years with annual verification
National Ship Security Certificate	Office for Transportation Security	Issued to each vessel		5 years, subject to audit after 2 and a half years
Ship Sanitation Control Certificate	Bureau of Quarantine	Issued to each vessel		6 months
Classification Certificate	Classification Society	Issued to each vessel		5 years
MARINA Accreditation Certificate	MARINA	Issued to the Company	PNX-Chelsea – February 22, 2017 CSC – September 30, 2015 BMI – April 20, 2016 MI – August 14, 2015	3 years
Permit to Operate	Philippine Ports Authority	Issued to the Company		One Year

Table 27: Government Approvals: RoPax Segments

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Certificate of Public Convenience	Maritime Industry Authority (MARINA)	Issued to each vessel	Trans-Asia Shipping June 28, 2015 CSC – May 18, 2017 PNX-Chelsea – June 24, 2014	Every 5 Years from date of issuance
Marina Accreditation	MARINA	Issued to the	PNX-Chelsea –	Three Years

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
		Company	February 22, 2017 CSC – September 30, 2015 BMI – April 20, 2016 FTC – August 1, 2016 MI – August 14, 2015	
Certificate of Ownership	MARINA	Issued to each vessel		No Expiry
Certificate of Philippine Registry	MARINA	Issued to each vessel		No Expiry
Cargo / Passenger Ship Safety Certificate	MARINA	Issued to each vessel		One Year
Minimum Safe Manning Certificate	MARINA	Issued to each vessel		One Year
Ship Station License	NTC VII	Issued to each vessel		One Year
Coastwise License	MARINA	Issued to each vessel		One Year
Document of Compliance	MARINA	Issued to Ship Management Company, Chelsea Ship Management & Marine Services Corp.		5 years (Subject to Annual Verification and Endorsement)
Safety Management Certificate	MARINA	Issued to each vessel		Five (5) Years (With Intermediate endorsement)
Load Line Certificate	MARINA	Issued to each vessel		Five (5) Years (Subject to Annual endorsement)
Certificate of Stability	MARINA	Issued to each vessel		Five (5) Years (Subject to endorsement after 5 years or after latest Inclining Test)
Trim & Stability Calculation Booklet	MARINA	Issued to each vessel		
Class Certificate	ORS	Issued to each vessel		

Accreditation	Issuing Agency	Validity	Issue Date	Expiration
Oil Pollution Prevention Certificate of Compliance	PCG	Issued to each vessel		Five (5) years subject to Annual Survey
Oily Water Separator Accreditation	PCG	Issued to each vessel		Three (3) Years
Garbage Management Plan	PCG	Issued to each vessel		Three (3) Years
Shipboard Oil Pollution Emergency Plan	PCG	Issued to each vessel		Three (3) Years
Ship Sanitation Control Certificate	BOQ VII	Issued to each vessel		Six (6) Months
Admeasurement Data Report	MARINA	Issued to each vessel		
Passenger Insurance (Convoy)	Visayan Surety & Insurance Corporation	Issued to each vessel		One Year
Compliance Certificate (CSM)	MARINA	Issued to each vessel		Five (5) years subject to Annual Endorsement
Marine Hull Insurance	Pioneer	Issued to each vessel		One Year
Passenger Insurance	Oriental	Issued to each vessel		One Year
Certificate of Compliance (COC 65/65-A)	MARINA	Issued to each vessel		One Year
Certificate of Compliance (COC 150)	MARINA	Issued to each vessel		One Year
Certificate of Compliance (COC 72)	MARINA	Issued to each vessel		No Expiry
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry
DOT Accreditation	DOT VII	Issued to each vessel		One Year
CCTC License	CCTC	Issued to each vessel		One Year
National Ship Security Certificate	OTS	Issued to each vessel		Five (5) Years subject to Intermediate Audit and Verification
Continuous Synopsis Record	MARINA	Issued to each vessel		No Expiry

Table 28: Government Approvals: Rolling Cargo Segments

Accreditation	Issuing Office	Validity	Issue Date	Expiration
Certificate of Ownership (CO)	Maritime Industry Authority	Issued to each vessel		No Expiry

Accreditation	Issuing Office	Validity	Issue Date	Expiration
	(MARINA)			
Certificate of Registry (CPR)	MARINA	Issued to each vessel		No Expiry
Passenger Ship Safety Certificate (PSSC)	MARINA	Issued to each vessel		One Year
Minimum Safe Manning Certificate (MSMC)	MARINA	Issued to each vessel		One Year
Ship Station License (SSL)	NTC	Issued to each vessel		One Year
Coastwise License (CWL)	MARINA	Issued to each vessel		One Year
Document of Compliance (DOC)	MARINA	Issued to the Company	January 8, 2018	One Year
Interim Safety Management Certificate (ISMC)	MARINA	Issued to each vessel		One Year
Loadline (LLC)	MARINA	Issued to each vessel		Five Years
Certificate of Stability (COS)	MARINA	Issued to each vessel		Five Years
Certificate of Classification (Class)	Classification Society *(See Table 21 for list of issuers)*	Issued to each vessel		Five Years
Oil Pollution Prevention Certificate (OPPC)	PCG	Issued to each vessel		Five Years
Oily Water Separator (OWS)	PCG	Issued to each vessel		Three Years
Ship Sanitation Control Certificate (SSCC)	BUREAU OF QUARANTINE	Issued to each vessel		One Year
International Sewage Pollution Prevention Certificate (ISPPC)	Regatta Marine & Certification Service Co.	Issued to each vessel		Four Years
Passenger Insurance Policy	MALAYAN INSURANCE	Issued to the Company	January 19, 2018	One Year
Domestic Shipping Business (Accreditation Certificate)	MARINA	Issued to the Company	March 11, 2016	Three Years
Cargo Securing Manual Compliance Certificate (CSMCC)	MARINA	Issued to each vessel		Five Years
Certificate of Compliance 65/65-A (MC65-65 A)	MARINA	Issued to each vessel		One Year
Certificate of Compliance 72	MARINA	Issued to each vessel		No Expiry
Tonnage Measurement Certificate	MARINA	Issued to each vessel		No Expiry

Accreditation	Issuing Office	Validity	Issue Date	Expiration
Marine Hull Insurance	PIONEER	Issued to each vessel		One Year
National Ship Security Certificate	OFFICE FOR TRANSPORTATION SECURITY (OTS)	Issued to each vessel		Five Years

Effects of Existing or Probable Governmental Regulations on the Business

The Company believes that it complies with relevant laws, rules and regulations for all the business activities that it is currently engaged in. The Company cannot provide assurance that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail further expansion or development. Additionally, new rules and regulations that may be enacted may increase the Company's operating costs and may adversely affect the Company's results of operations and financial condition.

Environmental Laws

For the years ended December 31, 2016 and 2017, the Company incurred ₱181,349 and ₱3,017,977, respectively, for costs relating to compliance with environmental laws as required by the MARINA. This pertains to daily waste management expenses.

The environmental laws relating to the conduct of the Company's business are discussed on the section "*Regulatory Framework*" found on page 161of this Preliminary Prospectus.

INDUSTRY

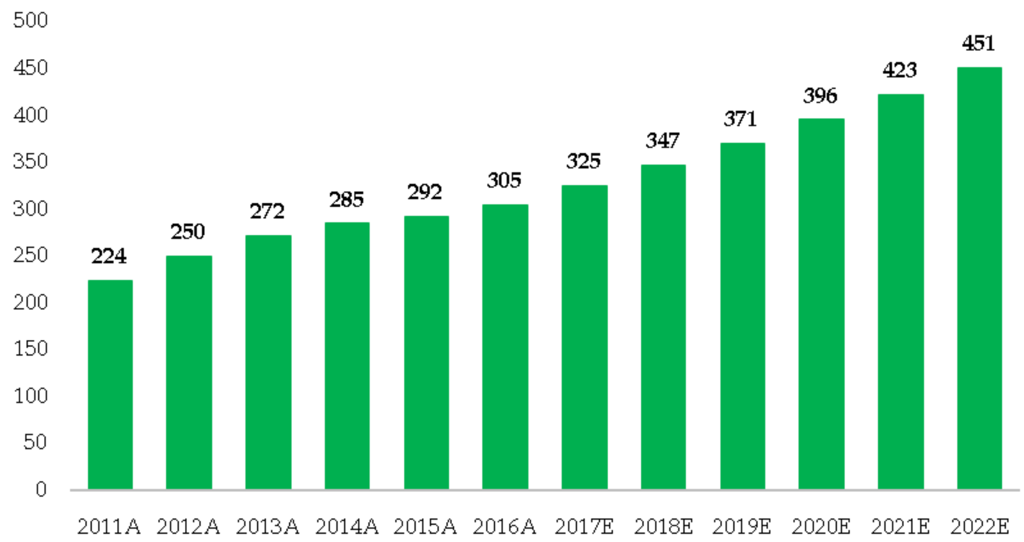
Overview of the Philippine Economy

Strong economic growth

The GDP growth of the Philippine economy has steadily grown at a CAGR of 6.4%. Going forward, the International Monetary Fund (**"IMF"**) forecasts the Philippines' nominal GDP to grow at a CAGR of 6.7% from 2016 to 2022E. Growth will be driven by domestic consumption, foreign direct investments, rising average family income, growth in overseas remittances, and a strong macro environment.

The chart below sets out the actual and expected nominal GDP development in the Philippines from 2011 to 2022E.

Chart 9: Philippine Nominal GDP (US$ Billion)



Source: IMF

Future growth drivers

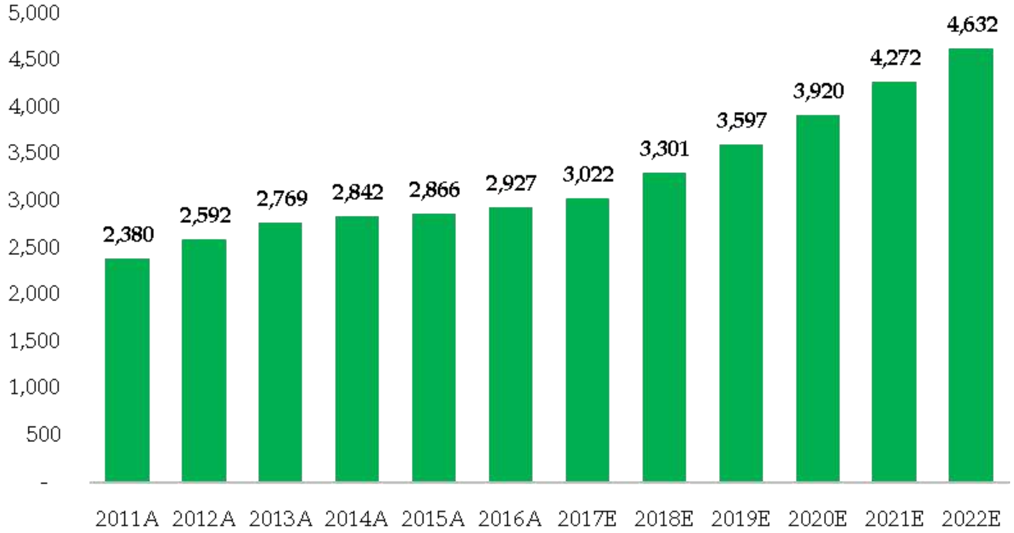
Private consumption accounted for 73.6% of GDP in 2016, according to the World Bank. Increasing average income and increasing Overseas Filipino Workers' cash remittances form the key drivers for future economic growth and domestic consumption.

Increasing average income

Increasing average income is expected to provide a strong foundation for consumption growth in the Philippines. According to the Philippine Statistics Authority (**"PSA"**), average family income in the Philippines has grown at a three- year CAGR of 4.3% from ₱235,000 in 2012 to ₱267,000 in 2015. Furthermore, nominal GDP per capita grew at a CAGR of 5.3% rising to US$2,927from US$2,380 between 2011 and 2016.The IMF forecasts that nominal GDP per capita will reach US$4,632 by 2022E, representing a CAGR of 8.0%.

The charts below set out the per capita nominal GDP in the Philippines from 2011 to 2022E.

Chart 10: Nominal GDP per Capita (US$)



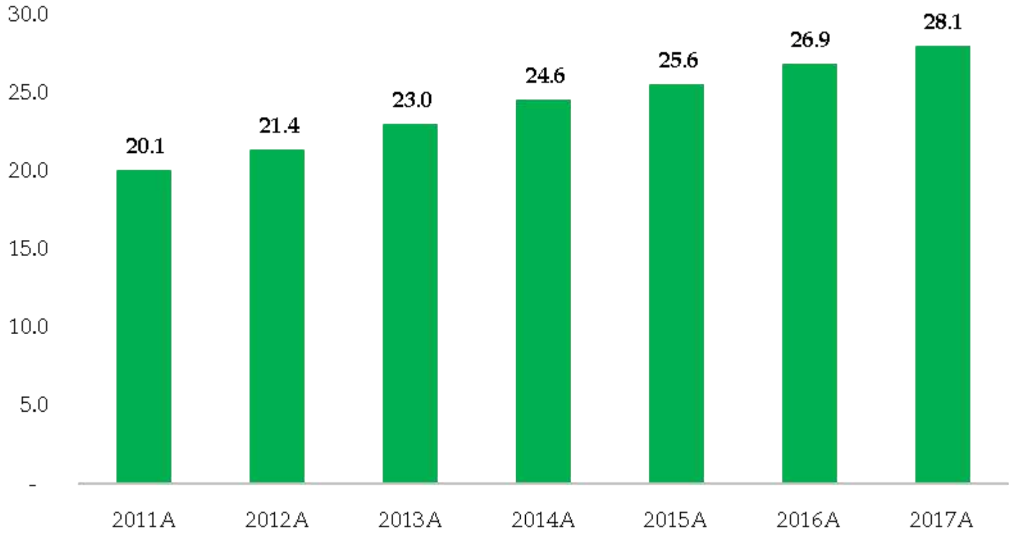
Source: IMF

Increasing Overseas Filipino Workers' cash remittances

Cash remittances by Overseas Filipino Workers (**"OFWs"**) represented approximately 8.6% of nominal GDP in 2017. The number ofOFWs as of 2016 was 2.2 million according to the PSA. According to the BSP, OFW cash remittances grew from US$20.1 billion to US$28.1 billion between 2011 and 2017, representing a CAGR of 5.7%.

The chart below sets forth information on cash remittances from 2011 to 2017.

Chart 11: Overseas Filipinos' cash remittances (US$billion)

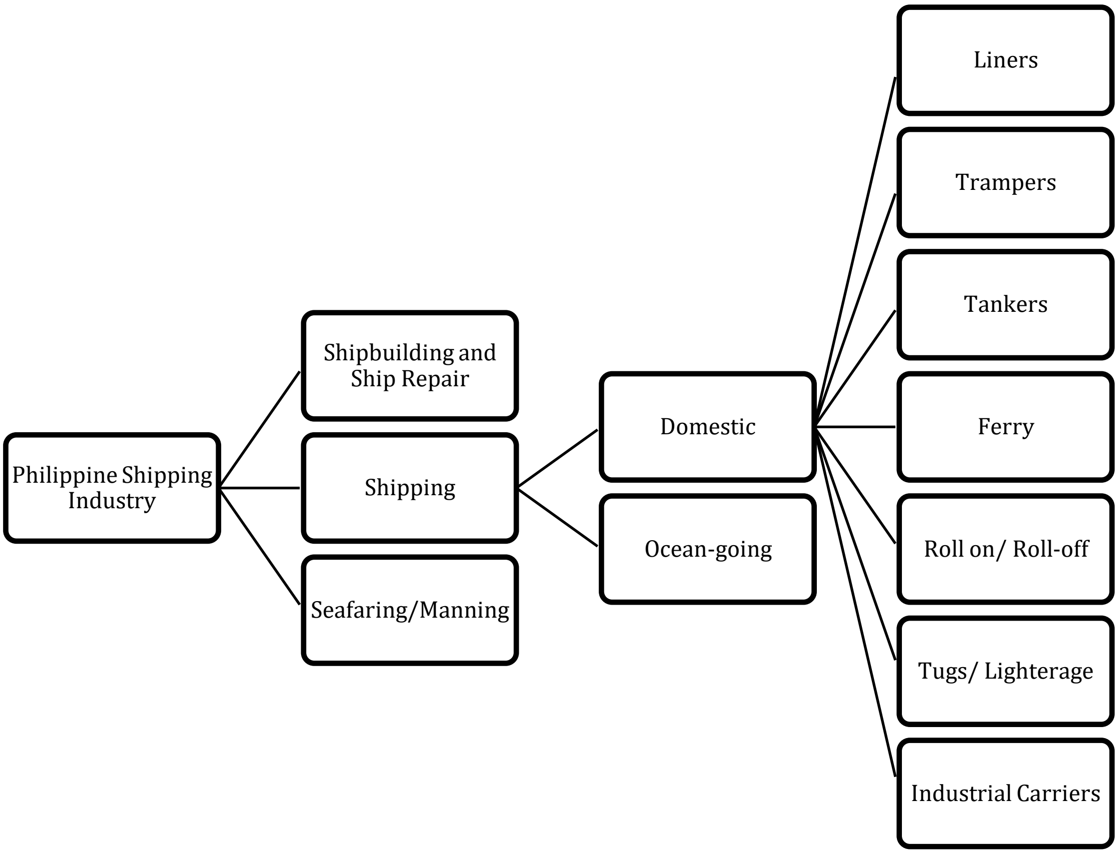


Source:BSP

Overview of the Philippine Shipping Industry

The shipping industry has an essential role in the development of the country's economy as it allows for the movement of goods and people from the Philippines to other countries, and vice-versa. Considering the archipelagic setting of the country, shipping provides the primary means of interisland transport. That is, the bulk of domestic trade is transported by shipping; interisland travel, especially in the southern part of the country, is also largely dependent on shipping. Considering this role, an efficient shipping industry that facilitates the movement of commodities, products and people is vital to the growth of the country. It is divided into three sectors: (i) shipbuilding and ship repair; (ii) shipping; and, (iii) seafaring/manning.

Chart 12: Philippine Shipping Industry Breakdown



Source: World Bank

The primary services within the shipping and seafaring sector can be generally classified into a) Maritime Transport services, b) Maritime auxiliary services, c) Port Services and, d) Crew and ship management.

Table 29: Philippine Shipping Industry Segments

Maritime Transport Services	Refers to the actual transportation service performed once the commodity or passenger is onboard a ship until the ship reaches its port of destination.
Maritime Auxiliary Services	Refer to activities related to cargo manipulation in ports and on ships. This includes cargo handling, storage and warehousing, customs clearance, container station and depot, maritime agency and freight forwarding.

Port Services	Refers to those activities related solely to ship management in ports. This include pilotage, towing and tug assistance, provisioning, fueling and watering, garbage collecting and disposal, port captain's services, navigation aids, shore-based operational services and emergency repair facilities
Crewing and Ship Management	Crewing refers to providing services for crew and crew management. Ship Management is providing services not limited to Technical, Marine and HSQE services to Shipowners/Operators.

As the Shipping industry is primarily driven by trade and population mobility, its development is closely tied to the development of the broader national economy. In fact, as seen in the table below, it has roughly grown at the same rate as the Philippines' GDP.

Table30: Philippine Shipping Industry Key Metrics

Cargo, Passenger, Ship Traffic
(Figures in thousands, except percentage)

	2013	2014	2015	2016	2017	Inc. (Dec) 2017/2016	CAGR 2013-2017
Cargo Throughput (MT)	**202,059**	**214,811**	**223,672**	**243,758**	**254,069**	**4.2%**	**5.9%**
Domestic	77,961	79,711	89,051	94,364	102,534	8.7%	7.1%
Foreign	124,098	135,099	134,621	149,393	151,536	1.4%	5.1%
Import	60,880	66,633	73,766	85,032	89,029	4.7%	10.0%
Export	63,217	68,466	60,855	64,361	62,507	-2.9%	-0.3%
Container Traffic	**5,238**	**5,525**	**5,862**	**6,520**	**7,060**	**8.3%**	**7.7%**
Domestic	2,057	2,171	2,380	2,637	2,865	8.7%	8.6%
Foreign	3,182	3,354	3,482	3,883	4,195	8.0%	7.2%
Import	1,619	1,712	1,738	1,976	2,127	7.7%	7.1%
Export	1,563	1,642	1,744	1,907	2,068	8.4%	7.2%
Passenger	**26,209**	**27,244**	**30,568**	**33,317**	**4,911**	**4.8%**	**7.4%**
Embarked	26,209	27,244	30,568	33,317	34,911	4.8%	7.4%
Shipcalls	**357**	**363**	**395**	**434**	**446**	**2.9%**	**5.8%**
Domestic	346	353	385	421	434	3.1%	5.9%
Foreign	11	10	10	12	12	-3.5%	3.0%

Source: Philippine Ports Authority

As of June 30, 2017, the Philippine Shipping Industry had a total of 33,347 vessels composed primarily of 16,294 merchant vessels and 17,053 fishing vessels. As compared to 2012, this represents a 112% increase in fleet size. While overall fleet size has increased dramatically, total tonnage has grown at a slower pace, increasing 52% over the same period.

Table 31: Philippine Shipping Industry Vessel Count

Type of Service	2012	2013	2014	2015	2016	Jun-17
MERCHANT FLEET	**8,499**	**9,574**	**10,694**	**12,021**	**14,336**	**16,294**
Passenger	5,077	5,745	6,567	7,387	9,056	10,279
Cargo	2,449	2,813	3,051	3,476	3,926	4,072
Tanker	263	245	249	257	290	293
Tug	481	534	566	722	775	791
Dredger	21	26	28	34	37	39
Speed Boat	13	13	21	26	39	445
Special Purpose Ship	14	20	16	20	31	102
Miscellaneous Ship	67	63	78	99	147	170
Others	114	112	118	0	5	71
No Information	0	3	0	0	30	32
FISHING	**7,242**	**9,437**	**11,340**	**13,042**	**16,518**	**17,053**
TOTAL	**15,741**	**19,011**	**22,034**	**25,063**	**30,854**	**33,347**

Source: MARINA

Due to the increase in number of vessels, average ship age has also gone down to 12.26 years in June 2017 from 13.12 years in 2012. However, average tanker age has increased dramatically, peaking at 21.08 years in June 2017. CSC, on the other hand, has an average tanker age of 17.

Table 32: Philippine Shipping Industry Average Age of Vessels

Type of Service	2012	2013	2014	2015	2016	Jun-17
MERCHANT FLEET	**12.40**	**12.44**	**12.50**	**12.19**	**12.04**	**12.12**
Passenger	8.65	9.05	9.29	8.84	8.91	9.27
Cargo	16.18	15.56	15.65	15.59	15.63	16.38
Tanker	18.17	19.62	20.24	20.44	20.24	21.08
Tug	27.25	27.18	27.54	27.00	27.40	28.32
Dredger	20.81	20.42	20.93	19.59	19.89	19.92
Speed Boat	7.54	8.31	5.81	5.62	4.82	6.16
Special Purpose Ship	17.79	12.95	16.44	16.90	14.97	6.47
Miscellaneous Ship	13.15	13.60	11.96	10.89	10.05	9.95
Others	19.29	18.60	19.58	-	24.00	8.14
No Information	-	23.33	-	-	14.00	10.00
FISHING	**13.97**	**12.90**	**12.37**	**12.15**	**11.53**	**12.39**
TOTAL	**13.12**	**12.67**	**12.43**	**12.17**	**11.77**	**12.26**

Source: MARINA

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to its Amended Articles of Incorporation, CLC's Board of Directors consists of nine (9) members, three (3) of whom are independent directors. The table below sets forth each member of CLC's Board of Directors as of the date of this Preliminary Prospectus.

Table 33: CLC Board of Directors

Name	Age	Nationality	Position
Dennis A. Uy	44	Filipino	Chairman of the Board
Chryss Alfonsus V. Damuy	44	Filipino	Director, President and CEO
Cherylyn C. Uy	38	Filipino	Director, Treasurer
Arthur Kenneth L. Sy	50	Filipino	Director
Efren E. Uy	56	Filipino	Director
Eduardo A. Bangayan	66	Filipino	Director
Miguel Rene A. Dominguez	41	Filipino	Independent Director
Jesus S. Guevara II	63	Filipino	Independent Director
Gener T. Mendoza	60	Filipino	Independent Director

The table below sets forth our key executive and corporate officers as of the date of this Preliminary Prospectus.

Table 34: CLC Key Executives and Officers

Name	Age	Nationality	Position
Chryss Alfonsus V. Damuy	44	Filipino	President and CEO
Cherylyn C. Uy	38	Filipino	Treasurer
Ignacia S. Braga IV	52	Filipino	VP – Finance
Ma. Henedina V. San Juan	56	Filipino	AVP – Business Development & Corporate Affairs and Corporate Secretary
Irwin M. Montano	52	Filipino	VP – Human Resources
Regino S. Trajano	58	Filipino	VP – Ship Management Tankers & Tugs
Ricky P. Victoria	58	Filipino	VP – Ship Management Passenger and Cargo
Athelle Beverly Diamond G. Feliciano	38	Filipino	AVP – Chartering and Synergy Functions
Rodel V. Marqueses	32	Filipino	Finance Controller
Leandro E. Abarquez	34	Filipino	Compliance Officer
Rishamae S. Diaz	29	Filipino	Investor Relations Officer

The business experience for the last five years of members of CLC's Board of Directors and key executive and officers are set forth below.

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 Solutions, 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 been the Honorary Consul of Kazakhstan to the Philippines since November 2011. He has a degree in Business Management from De La Salle University.

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 the Vice President for Finance of Phoenix Petroleum Philippines, Inc. and General Manager of Calaca Industrial Seaport Corp. 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, 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, 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, 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, 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, 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, Filipino, 63 years old, is an Independent Director of CLC since March 27, 2017. Mr. Guevara is currently the President of Alternative Power Resource Holdings, Inc. From 2009 to the present, he sits as Director of Lipa Bank, Inc. He served as Executive Vice President of the Development Bank of the Philippines, where he worked for eighteen (18) years. He was appointed Chairman of the Board of Phividec Industrial Authority. In the last (5) five 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, 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.

Ignacia S. Braga IV, Filipino, 52 years old, is the Vice President for Finance of CLC. She is also the Vice President for Finance of Chelsea Shipping Corp. and its subsidiaries. Ms. Braga is a Certified Public Accountant with more than twenty (20) years of corporate finance and accounting experience. Prior to joining the Company, she was formerly the Assistant Vice President – Group Controller of Lapanday Foods Corporation and former Controller of Macondary Agro-Industrial Corporation. She was the Finance Manager of RFM Tuna Corporation and the Asia Industries (Mindanao) Inc. She began her career as an auditor of Sycip Gorres Velayo & Co. in 1986. She is a Cum Laude graduate of Bachelor of Science Commerce Major in Accounting from Ateneo de Davao University.

Ma. Henedina V. San Juan, Filipino, 56 years old, is the Corporate Secretary and concurrently the Assistant Vice President for Business Development and Corporate Affairs of CLC. She also serves as the Corporate Secretary of Chelsea Shipping Corp. and its subsidiaries, and other Companies in the Udenna Group. Prior to joining the Company, she worked for Petron Corporation, Petronas Energy & Petroleum, Inc. and Herma Corporation. She has a degree in Bachelor of Arts in Political Science and Bachelor of Laws both from University of the Philippines.

Irwin M. Montano, Filipino, 52 years old, is the Vice President for Human Resources of the Company and of CLC. Mr. Montano was formerly the Vice President for Human Resources, Environment/Safety and Health, Security, and Customer Service of Amkor Technology Philippines. He also served as the AVP for Human Resources and Business Unit Head of the IT Outsourcing Group of American Data Exchange Corporation. He is a Cum Laude graduate of Bachelor of Science in Electronics and Communication Engineering from Mapua

Institute of Technology. He completed his MBA Regis Program (Gold Medalist) from the Ateneo Graduate School of Business.

Regino S. Trajano, Filipino, 58 years old, is the Vice President for Ship Management for the Tankers & Tugs Division of CLC. He was previously the President and General Manager of Transnational Uyeno Maritime, Inc. Prior to that, he had shipboard experience as Chief Engineer of foreign vessels. He has a degree in Bachelor of Science in Marine Transportation from the Philippine Merchant Marine Academy.

Ricky P. Victoria, Filipino, 58 years old, is the Vice President for Ship Management of the Passenger and Cargo Division of CLC. Prior to joining CLC, he was the President of Navia Crewing Services, Inc. He was formerly the General Manager of Synergy Group Operations, Inc. and Senior Operations Manager of Jebsen's Maritime, Inc. He was also with SAV Ship Management and Marine Services, Inc. as Managing Director. He has a degree in Bachelor of Science in Marine Transportation from the Philippine Merchant Marine Academy and has a Master's Degree in Business Administration from the University of Western Australia.

Athelle Diamond Beverly G. Feliciano, Filipino, 38 years old, is the Assistant Vice President for Chartering and Synergy Functions of the Company. She was formerly with Emirates National Oil Company (ENOC) in charge of Risk Management. Prior to this, she was Chartering & Business Planning and Tanker Vessels Voyage Manager of Chevron Philippines, Inc. She is a Lean Six Sigma Green Belter. She has a Bachelor of Science degree in Business Economics from the University of Santo Tomas and has a Master's Degree in Business Administration from the Ateneo Graduate School of Business.

Rodel V. Marqueses, Filipino, 32 years old, is the Finance Controller of the Company. Prior to joining CLC, he was formerly an Audit Senior Manager of Punongbayan and Araullo. He is a Certified Public Account and has a degree in Bachelor of Science in Accountancy from San Beda College.

Leandro E. Abarquez, Filipino, 34 years old, is the Compliance Officer of the Company. Prior to joining CLC, he was a Senior Associate at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles. He has a Bachelor's degree in Biology from the Ateneo de Manila University and obtained his Juris Doctor degree from the same university in 2009.

Rishamae S. Diaz, Filipino, 29, is the Investor Relations Officer of the Company. She was formerly with ABS-CBN Corporation as Investment and Business Analysis Officer. Prior to that, she was a Corporate Finance Analyst at Alsons Consolidated Resources, Inc. and Unicapital, Inc. She holds a Bachelor's Degree in Mathematics from the University of the Philippines.

Directorships in other reporting companies

During the last five (5) years, the following Directors are also Directors of other reporting companies as listed below:

Table 35: CLC Board of Directors Outside Directorship

Name of Director	Name of Reporting Company	Position Held
Dennis A. Uy	P-H-O-E-N-I-X-Petroleum Philippines, Inc.	Director, President and CEO
	2Go Group, Inc.	Chairman of the Board
	Apex Mining Co., Inc.	Independent Director
Cherylyn C. Uy	P-H-O-E-N-I-X Petroleum Philippines, Inc.	Director
Eduardo A. Bangayan	Manila Mining Corporation	Independent Director
Gener T. Mendoza	IPM Holdings, Inc.	Director

Corporate Governance

CLC 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 March 27, 2017.

The Manual features the following provisions:

1. *Protection of investors*. The Manual provides for shareholders' rights and protection, investor relations, and a disclosure system to ensure transparency and accountability.

2. *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.

3. *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.

4. *Compliance with the Manual*. The appointment of a Compliance Officer to monitor compliance with and violations of the Manual is also provided.

5. *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.

CLC 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 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:

1. 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;

2. 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;

3. 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;

4. 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;

5. 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;

6. Monitor and evaluate the adequacy and effectiveness of the internal control system including financial reporting control and information technology security;

7. Review the reports submitted by the internal and external auditors;

8. Review the quarterly, half-year and annual financial statements before their submission to the board of directors, with 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;

9. Coordinate, monitor and facilitate compliance with laws, rules and regulations;

10. 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,

11. Establish and identify the reporting line of our internal auditor to enable him to properly fulfill his duties and responsibilities. It shall functionally report directly to the Audit Committee.

CLC's Audit Committee shall ensure that its internal auditor in the performance of its work shall be free from interference by outside parties. In addition, the Audit Committee shall be tasked to prepare the Audit Committee Charter (the **"Charter"**), which shall contain, among others, its purpose, membership, structure, operations, reporting process, resources and other relevant information. The Charter shall specify how the

Audit Committee shall perform its oversight functions as prescribed by the Revised Code of Corporate Governance (the "**Code**").

In the preparation of the Charter, the Audit Committee shall strictly observe the requirements of the Code and other applicable laws and regulations in the Philippines and shall align the Charter with the best practices and standards as provided for in any or combination of the reference guides indicated in SEC Memorandum Circular No. 4, Series of 2012.

Upon approval by the Audit Committee of the Audit Committee Charter, the same shall be submitted for the approval of CLC's Board of Directors. Within one year from listing date, the Audit Committee shall assess its performance, as prescribed by and pursuant to SEC Memorandum Circular No. 4, Series of 2012.

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:

1. Oversees the implementation of the corporate governance framework and periodically reviews the said framework to ensure that it remains appropriate in light of material changes to the corporation's size, complexity and business strategy, as well as its business and regulatory environments;

2. Oversees the periodic performance evaluation of the Board and its committees as well as executive management, and conducts an annual self-evaluation of its performance;

3. Ensures 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;

4. Recommends 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;

5. Adopts corporate governance policies and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance;

6. Proposes and plans relevant trainings for the members of the Board;

7. Determines the nomination and election process for the CLC's Directors and has the special duty of defining the general profile of Board members that CLC may need and ensuring appropriate knowledge, competencies and expertise that complement the existing skills of the Board; and,

8. Establishes 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 IIis our Corporate Governance Committee chairman, who serves with Gener T. Mendoza and Miguel Rene A. Dominguez.

Board Risk Oversight Committee

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:

1. Develops a formal enterprise risk management plan which contains the following elements: (i) common language or register of risks;(ii) well-defined risk management goals, objectives and oversight;(iii) uniform processes of assessing risks and developing strategies to manage prioritized risks;(iv) designing and implementing risk management strategies; and, (v) continuing assessments to improve risk strategies, processes and measures;

2. Oversees 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;

3. Evaluates 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;

4. Advises the Board on its risk appetite levels and risk tolerance limits;

5. Reviews 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;

6. Assesses 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;

7. Provides 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,

8. Reports to the Board on a regular basis, or as deemed necessary, the Company's material risk exposures, the actions taken to reduce the risks, and recommends further action or plans, as necessary.

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

Related Party Transaction Committee

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

1. Evaluates on an on-going basis the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.

Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors;

2. Evaluates 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 considers, among others, the following:

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

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

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

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

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

3. Ensures 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;

4. Reports 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;

5. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and

6. Oversees 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 III our Related Party Transaction Committee chairperson, who serves with Eduardo A. Bangayan and Gener T. Mendoza.

Compensation

The following table sets forth CLC's most highly compensated executive officers, including its President and CEO, for the year ended December 31, 2017:

Table 36: CLC Highest Compensated Executives

Name	Position
Chryss Alfonsus V. Damuy	President and CEO
Cherylyn C. Uy	Treasurer
Ignacia S. Braga IV	Vice President for Finance
Arthur Kenneth L. Sy	President, Trans-Asia Shipping Lines, Inc.
Ricky P. Victoria	Vice President for Ship Management

The following table identifies and summarizes the aggregate compensation of CLC President & CEO and the four most highly compensated executive officers, as well as the aggregate compensation paid to all other officers and Directors as a group, for the years ended December 31, 2016 and 2017:

Table 37: CLC Top 5 Executive Aggregate Compensation

Aggregate Compensation - Executive Officers (Top 5)	
Year	**Total (₱ million)**
2016	21
2017	20

Aggregate Compensation – Directors and Executive Officers (Excluding Top 5)	
Year	**Total (₱ million)**
2016	18
2017	6.8

Standard Arrangements

Other than payment of reasonable per diem as may be determined by CLC's Board of Directors for every meeting, there are no standard arrangements pursuant to which its Directors are compensated directly or indirectly, for any services provided as a Director.

Other Arrangements

There are no other arrangements pursuant to which any member of CLC Board of Directors is compensated, directly or indirectly, for any service provided as a Director.

Warrants and Options

There are no outstanding warrants or option held by Directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

As of the date of this Preliminary Prospectus, there are no other material legal proceedings involving CLC's Directors and executive officers except the following:

1. *People of the Philippines vs. Dennis Ang Uy, John Does and/or Jane Does, Criminal Case Nos. 75,834-13to75,845-13 and 76,067-13 to 76,076-13, Regional Trial Court, 11th Judicial Region, Davao City, Branch 14*

   On August27, 2013, the DOJ filed twelve (12) Informations before the Regional Trial Court of Davao (docketed as Criminal Case Nos.75,834-13 to 75,845-13) against Mr. Uy and several John Does and/or Jane Does in connection with the Resolutions dated April 24, 2013 and August 13, 2013 issued by the SOJ, finding probable cause against Mr. Uy for alleged violation of Section 3602 in relation to Sections 3601, 2530 (I)(1), (3), (4), and (5), Sections 1801,1802, 3604; and 2530 of the TCCP, as amended, and AO No.243, CAO No.3-2010 and CAO No.18-2010.

   On September5, 2013, an Entry of Appearance with Omnibus Motion (for Judicial Determination of Probable Cause and to Suspend Issuance and/or Service of Warrant of Arrest) dated September 3, 2013 was filed by Mr. Uy's counsel, which prayed for the dismissal of the criminal cases for lack of probable cause.

Thereafter, on September11, 2013, the DOJ filed ten (10) additional Informations against Mr. Uy and several John Does and/or Jane Does for alleged violations of the TCCP. These were docketed as Criminal Case Nos. 76,067-13 to 76,076-13.

On September19, 2013, a Supplemental Motion for Judicial Determination of Probable Cause dated September18, 2013 was filed by Mr. Uy's counsel, seeking the dismissal of the ten (10) additional criminal cases for lack of probable cause.

On October 4, 2013, the RTC issued an Order dismissing all the cases against Mr. Uy.

On November 15, 2013, a copy of the plaintiff People of the Philippines' Motion for Reconsideration with Urgent Motion for Inhibition of Judge George E. Omelio dated November 12, 2013 was received, to which Motion, Mr. Uy filed his Opposition.

On August18, 2014, the RTC issued an Order denying the Motion for Reconsideration of the plaintiff. The plaintiff People of the Philippines filed its Petition for Certiorari with the Court of Appeals for the reversal of the Orders dated October 4, 2013 and August18, 2014 issued by the trial court. Please see Item 3 below for status on the Petition for Certiorari.

2. *People of the Philippines vs. Hon. George E. Omelio, in his capacity as Presiding Judge of the Davao City Regional Trial Court, Branch 14, Hon.Loida S. Posadas-Kahugan, in her capacity as Acting Presiding Judge of the Davao City RTC, Branch 14, Dennis Ang Uy, John Does and/or Jane Does, CA-G.R.SP No. 06500-MIN, Court of Appeals, Cagayan de Oro City, 23rdDivision*

   On October27, 2014, petitioner People of the Philippines filed a Petition for Certiorari seeking the reversal of the Orders dated October 4, 2013 and August18, 2014 issued by the trial court dismissing the cases filed against Dennis Ang Uy. The respondents filed their Comment to said Petition for Certiorari, and the parties subsequently filed their respective Memoranda. In its Decision dated October 12, 2016, the Court of Appeals denied the Petition for Certiorari filed by the People of the Philippines. On November7, 2016, the People of the Philippines filed its Motion for Reconsideration of the Decision dated October 12, 2016. To date, the Court of Appeals has not acted on the Motion for Reconsideration dated November 7, 2016.

3. *Dennis A. Uy vs. Hon. Secretary of the Department of Justice Leila M. De Lima and the Bureau of Customs, CA-G.R.SP No.131702, Court of Appeals, Manila, Special Former Special Tenth Division*

   There being no appeal or any other plain, speedy and adequate remedy in the ordinary course of law available to question and seek the reversal of the Resolutions dated April 24, 2013 and August13, 2013 issued by the SOJ finding probable cause against Mr. Uy for alleged violation of the TCCP and other related rules and regulations, Dennis A. Uy filed a Petition for Certiorari with the Court of Appeals on September 4, 2013.

   On September10, 2013, petitioner filed a Motion for Consolidation seeking the consolidation of this case with the Petition for Certiorari (with Application for Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) filed by Jorlan Cabanes, docketed as CA-G.R.SP No.129740. The Motion for Consolidation was granted in the Resolution dated November 6, 2013. Thereafter, all the parties filed their respective Memoranda. On July 25, 2014, the Court of Appeals issued its Decision granting the Petition for Certiorari and declaring the Resolutions dated April 24, 2013 and August13, 2013 nullified and set aside and directing that the Information filed against Dennis Uy and Jorlan C. Cabanes before the RTCs of Batangas City and Davao City be withdrawn and/or dismissed for lack of probable cause. A Motion for Reconsideration of the Decision dated July 25, 2014 was filed by respondents SOJ and Bureau of Customs. On July 23, 2015, the Court of Appeals issued its Resolution denying respondents' Motion for Reconsideration. On September10, 2015, petitioner received a copy of the Motion for Extension to File Petition for Review on Certiorari filed by the respondents with the Supreme Court. To date, the Supreme Court has not acted on respondents' Motion.

4. *Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Jorlan C. Cabanes, and Secretary of the Department of Justice Leila M. De Lima and Bureau of Customs vs. Dennis A. Uy,G.R.No.219295-219296, Supreme Court, 2nd Division*

   On October8, 2015, respondents Jorlan C. Cabanes and Dennis A. Uy received a copy of the Petition for Review on Certiorari dated September 8, 2015 filed by petitioners SOJ and Bureau of Customs seeking to set aside the Court of Appeals' Decision dated July 25, 2014 and the Court of Appeals' Resolution dated July2, 2015.The Supreme Court required the parties to file their respective Memoranda, which the parties complied with. On December12, 2016, the Supreme Court issued its Notice of Resolution dated November 16, 2016 noting the parties' Memoranda.

5. *People of the Philippines v. Prospero Pichay, Eduardo Bangayan, et.al., S.B. Criminal Case Nos.SB16CRM0425-30*

   These cases charge Mr. Eduardo Bangayan for (a) violation of Section 3(e) of R.A. 3019; (b) violation of Section X126.2(C)(1)(2) of the Manual of Regulation for Banks in relation to Sections 36 and 37 of R.A. No. 7653; and, (c) committing Malversation of Public Funds under the Revised Penal Code, for allegedly conspiring with the other accused in the (a) Local Water Utilities Association's (**"LWUA"**) purchase of 445,377 shares in Express Savings Bank, Inc. (**"ESBI"**) and release from the LWUA Fund of at least ₱80,003,070.51 in connection with the said purchase of shares; and, (b) LWUA's deposit and/or capital infusion of the ₱400,000,000.00 and deposit of ₱300,000,000.00 with ESBI, as well as the release of the foregoing amounts from the LWUA Fund.

   Mr. Bangayan sought for the dismissal of the criminal cases against him based on his defense that he had acted in good faith, upon the honest belief and based on information made available to him, that LWUA's acquisition of ESBI had the approval of the BSP and complied with all applicable laws and regulations, and that there was no prima facie evidence on his alleged conspiracy, hence, there is no probable cause to indict him for any of the alleged offenses.

   The Sandiganbayan dismissed the case insofar as Mr. Bangayan is concerned through its Resolution dated October 18, 2016. The prosecution moved for reconsideration thereof. The same is still pending resolution by the Sandiganbayan.

6. *Field Investigation Office (Office of the Ombudsman) v. Prospero Pichay, Eduardo Bangayan, et.al., OMB Case No. C-C15-0007*

   Mr. Bangayan is being charged, together with four members of the LWUA Board, and other officials of the LWUA Management with alleged violations of (a) Malversation of Public Funds under Article 217 of the Revised Penal Code and, (b) Section 3(e) and (g) of R.A. 3019.

   These charges are in connection with the use of LWUA corporate funds in extending loans to water districts nationwide under the Non-LWUA Initiated Funds ("NLIF") Project from 2009 to 2011, which stemmed from the approval of the LWUA Board of Board Resolution No. 19, Series of 2009, upon the recommendation made and data provided to the Board by the LWUA Management.

   For his defense, Mr. Bangayan argued that (a) his appointment as Trustee of the LWUA from September 2008 to March 2009 did not have legal effect; (b) he acted in good faith in voting for the use of the NLIF under said Board Resolution because he made it on the basis of the recommendation made as well as data given by the LWUA Management to the LWUA Board; and, (c) the Office of the Government

Corporate Counsel did not specifically find any fault on the part of the LWUA Board. Based on the foregoing, Mr. Bangayan argued that there is no probable cause to indict him for the charges. The investigation is currently ongoing.

7. *Ombusdman v. Bundoc, et. Al., G.R. No. 225521-28, Supreme Court, First Division*

   On November 2012, the Office of the Ombudsman issued a review decision finding certain individuals, including Jesus S. Guevara II, guilty of Grave Misconduct and Conduct Prejudicial to the Best Interest of the Service. On November 2015, the Court of Appeals set aside the decision, which prompted the Office of the Ombudsman to file a motion for reconsideration. The Court of Appeals denied such motion for reconsideration on June 2016. A petition for review on certiorari was filed by the Office of the Ombudsman before the Supreme Court on August 2016. The Supreme Court in its Order dated December 1, 2016 and received on March 30, 2017, ordered the respondents including Jesus Guevara II to comment on the Petition filed by the Ombudsman. The respondents including Jesus Guevara II seasonably filed their Comment before the Supreme Court.

The Company is not aware of the occurrence of any of following events that occurred during the past five (5) years, which is material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company:

(a) Any bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
(b) Any conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
(c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
(d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Significant Employees

The Company considers the collective efforts of its employees as vital to its success. CLC does not solely rely on key individuals for the conduct of our business. Therefore, the resignation or loss of any non-executive employee will not have any significant adverse effect on our business. No special arrangement with non-executive employees to assure their continued stay with us exists, other than standard employment contracts.

Family Relationships

There are no other family relationships between any Directors and any members of the Company's senior management as of the date of this Preliminary Prospectus, except for the following:

1. Spouses Dennis A. Uy (Chairman of the Board) and Cherylyn C. Uy (Treasurer)

2. Spouses Arthur Kenneth L. Sy (Director and Trans-Asia Shipping President) and Shiela Fay U. Sy (Trans-Asia Shipping VP for Marketing and Operations)

3. Siblings Arthur Kenneth L. Sy (Director and Trans-Asia Shipping President) and Judith Ann S. Sandoval (Trans-Asia Shipping AVP for Treasury and Administration Services)

OWNERSHIP

Principal Shareholders

As of the date of this Preliminary Prospectus, CLC has sixteen (16) stockholders. The table below sets out the security ownership of record and beneficial owners of CLC's voting securities as of the date of this Preliminary Prospectus:

Table 38: CLC Ownership Breakdown

	Shareholder	Number of Shares Owned of Record	% of Shareholdings
1	Udenna Corporation	1,275,384,606	70.00%
2	Eduardo A. Bangayan	1	Nil
3	Marietta V. Cabreza	5,000	Nil
4	Miguel Rene A. Dominguez	1	Nil
5	Jesus S. Guevara II	1	Nil
6	Gener T. Mendoza	1	Nil
7	Arthur Kenneth L. Sy	1	Nil
8	Caroline G. Taojo	800,000	0.04%
9	Noe B. Taojo	400,000	0.02%
10	Cherylyn C. Uy	1	Nil
11	Efren E. Uy	1	Nil
12	Milagros P. Villanueva	7,300	Nil
13	Myra P. Villanueva	9,300	Nil
14	Myrna P. Villanueva	7,300	Nil
15	PCD Nomination Corporation - Filipino	510,212,081	28.00%
16	PCD Nomination Corporation -Non-Filipino	35,152,021	1.93%
	Total	**1,821,977,615**	**100.00%**

Security Ownership of Certain Record and Beneficial Owners of more than 5% of our voting securities as of December 31, 2017

Table 39: CLC Significant Beneficial Owners

Title of Class	Name of Record Owner & Relationship to Issuer	Name of Beneficial Owner & Relationship to Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	Udenna Corporation - Parent Company of CLC	Please see note 1 below	Filipino	1,275,384,606	70.00%
Common	PCD Nominee Corporation	Please see note 2 below	Filipino	510,212,081	27.97%

Note 1 – The beneficial owners are Dennis A. Uy and Cherylyn C. Uy.

Note 2 – PCD participants acting for themselves or for their customers

Security Ownership of Directors and Officers

The following comprise CLC's Board of Directors as of the date of this Preliminary Prospectus. Under the Philippine Corporation Code, to qualify as a member of the Board of Directors, each Director is required to hold at least one share in his name in the books of the corporation.

Table 40: CLC Director and Officer Ownership Breakdown

Title of Class	Name of Beneficial Owner	Citizenship	Nature of Beneficial Ownership	No. of Shares	Percentage of Outstanding Shares
Directors					
Common	Dennis A. Uy	Filipino	Direct	1	Nil
			Indirect	892,769,224	49.00%
Common	Cherylyn C. Uy	Filipino	Direct	1	Nil
			Indirect	382,615,385	21.00%
Common	Chryss Alfonsus V. Damuy	Filipino	Direct	522,000	0.03%
Common	Eduardo A. Bangayan	Filipino	Direct	70,001	Nil
Common	Miguel Rene A. Dominguez	Filipino	Direct	200,001	0.01%
Common	Jesus S. Guevara II	Filipino	Direct	1	Nil
			Indirect	100,000	Nil
Common	Gener T. Mendoza	Filipino	Direct	20,001	Nil
Common	Arthur Kenneth L. Sy	Filipino	Direct	1	NIL
Common	Efren E. Uy	Filipino	Direct	270,001	0.02%
Executive Officers					
Common	Ignacia S. Braga IV	Filipino	Direct	452,000	0.03%
Common	Ricky P. Victoria	Filipino	Direct	152,000	0.01%
Common	Irwin M. Montano	Filipino	Direct	82,000	0.01%
Common	Ma. Henedina V. San Juan	Filipino	Direct	219,000	0.01%
Common	Athelle Beverly Diamond G. Feliciano	Filipino	Direct	49,000	0.00%
Common	Rodel V. Marqueses	Filipino	Direct	169,000	0.01%
Common	Leandro E. Abarquez	Filipino	Direct	36,300	0.00%
Common	Rishamae S. Diaz	Filipino	Direct	-	0.00%
All Directors and Officers as a group				**1,277,751,917**	**70.13%**

Dilution of Principal Shareholders

The Preferred Shares will generally not have any dilutive effect on the rights of the holders of the common shares of the Company as the Preferred Shares are non-voting, non-convertible and non-participating. However, holders of the Preferred Shares may vote on matters which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the Articles of Incorporation.

Thus, the issuance of the Preferred Shares may have a dilutive effect on the rights of the holders of the common shares to the extent of the voting rights to be exercised in relation to the following acts requiring the approval of the shareholders representing at least two-thirds (or majority in case of an amendment of the By-Laws) of the issued and outstanding capital stock of the Company:

- Amendment of the Articles of Incorporation (including any increase or decrease of capital stock);
- Adoption and amendment of By-Laws;

- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the Company;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

Voting Trust Holders of 5.0% or More

There were no persons holding more than 5.0% of a class of Shares under a voting trust or similar agreement as of the date of this Preliminary Prospectus.

Changes in Control

As of the date of this Preliminary Prospectus, there are no arrangements, which may result in a change in control of CLC.

RELATED PARTY TRANSACTIONS

In the ordinary course of its business, CLC engages in transactions with related parties and affiliates. It is the Company's policy to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties. A summary of the Company's RPTs for the period ended June 30, 2018 and December 31,2017is shown below.

		Amounts of Transactions		Outstanding Balances	
Related Party Category	Notes	**June 30, 2018 (Unaudited)**	June 30, 2017 (Unaudited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
Udenna					
Cash advances granted	20.4	(P 544,404,295)	P 10,000,000	P **1,883,829,714**	P 2,428,234,009
Cash advances obtained	20.4	-	39,708,002	-	-
P-H-O-E-N-I-X Petroleum Philippines, Inc. (PPPI)					
Chartering of services rendered	20.1	**328,252,586**	261,514,826	**255,511,349**	271,054,727
Fuel purchases	20.2	**90,851,194**	68,953,512	**(87,493,548)**	(77,121,463)
Cash advances obtained	20.4	**(699,965,812)**	87,830,229	**(700,894,839)**	(929,026)
Acquisition of CSC's shares	20.6	-	-	**(500,000,000)**	(500,000,000)
Related party under common ownership					
Rental income	20.3	**2,534,482**	2,088,071	**578,986**	1,131,385
Rental expense	20.3	**683,273**	1,317,653	**(378,191)**	(378,191)
Donation	20.8(b)	**180,000**	180,000	**(60,000)**	(90,000)
Cash advances granted	20.4	**557,304,788**	(194,446,078)	**617,505,572**	60,200,784
Cash advances obtained	20.4	**734,272,649**	(78,749,352)	**(305,570,477)**	(1,039,843,126)

1. *Chartering Agreements* – CSC entered into chartering agreements (time charter and spot charter agreements) with PPPI. The amounts of revenue recognized are presented as part of Charter fees and Standby charges under the Revenues section of the consolidated statements of profit or loss. The outstanding receivables from related parties are unsecured and do not bear any interest. Further, no impairment loss was recognized on the outstanding receivables from related parties in 2017 and 2016 based on management's assessment.

   For the period ended June 30, 2018, chartering services rendered to PPPI account for 35% of the Company's total revenues from chartering services.

2. *Fuel Purchases* – In the same manner, the Company purchases fuel and lubes from PPPI. The Company exclusively sources its fuel requirements from PPPI.

3. *Rental Income and Expenses* – CSC bills Calaca Industrial Seaport Corp. (formerly "Phoenix Petroterminals & Industrial Park Corp."), a related party under common ownership, for their corresponding share on the office space rent.

   CSC also entered into operating lease agreements with Valueleases, Inc., a related party under common ownership, covering various transportation equipment for a period of one year, subject to renewal upon mutual consent of both parties.

4. *Advances to/from Related Parties* – In the normal course of business, the Company grants to and obtains from related parties unsecured, noninterest-bearing cash advances for working capital requirements and other purposes. These advances are generally settled in cash or through offsetting arrangements with the related parties.

5. *Personal Guarantees of Interest-bearing Loans* – Certain bank loans and term loans obtained by the Company are secured by personal guarantees and/or continuing suretyship by the CLC's Chairman of the Board.

The terms are made on the same terms as those transactions with third parties; hence, are evaluated by management as arm's length transactions.

DESCRIPTION OF THE SHARES

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Preferred Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors and Shareholders of the Company, the information contained in this Preliminary Prospectus, the Share Agreements and other agreements relevant to the Offer. Prospective Shareholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Preferred Shares.

Set forth below is information relating to the Preferred Shares. This description is only a summary and is qualified by reference to Philippine law and the Amended Articles of Incorporation and Amended By-laws of the Company, as may be amended from time to time.

The shares of CLC to be offered shall be 5,000,000Offer Shares, consisting of common shares, with a par value of ₱1.00 per share, to be issued and offered by CLC at the Offer Price of ₱1,000.00 per share.

Share Capital Information

On June 18, 2018, the SEC approved the amendment of the Company's Articles of Incorporation which reclassified the authorized capital stock which originally consisted of all common shares into 990,000,000 common shares with a par value of ₱1.00 per common share and 10,000,000 non-voting, non-convertible, non-participating, redeemable, perpetual preferred shares with a par value of ₱1.00 per preferred share.

As of the date of this Preliminary Prospectus, CLC's authorized capital stock is ₱2,000,000,000 divided into 1,990,000,000 common shares with a par value of ₱1.00 per common share and 10,000,000 non-voting, non-convertible, non-participating, redeemable, perpetual preferred shares with a par value of ₱1.00 per preferred share. As of the date of this Preliminary Prospectus, CLC's issued and outstanding share capital consisted of 1,821,977,615 common shares and no preferred shares. Preliminary Prospectus

Objects and Purposes

Pursuant to CLC’s Articles of Incorporation, its primary purpose is to act as a holding company.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors and ratified by the shareholders representing at least two-thirds of the outstanding capital stock, at a shareholders’ meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its primary purpose, the approval of the shareholders shall not be necessary.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and by-laws. A Philippine corporation may also increase or decrease its authorized capital stock, provided that the increase or decrease is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders’ meeting duly called for the purpose and is duly approved by the SEC.

All of CLC’s shares that are currently issued or authorized to be issued are common shares and have a par value of ₱1.00 per share. If par value shares are issued at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as paid-in surplus.

A corporation may acquire its own shares for a legitimate corporate purpose as long as it has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired, such as in the following instances: (i) elimination of fractional shares arising out of stock dividends, (ii) the purchase of shares of dissenting shareholders exercising their appraisal right; and (iii) the collection or compromise of an indebtedness arising out of an unpaid subscription in a delinquency sale or to purchase delinquent shares during such sale. Upon repurchase of its own shares, the shares become treasury shares, which may be resold at a reasonable price fixed by the board of directors.

The Board is authorized to issue shares from the treasury from time to time.

Features of the Preferred Shares

In accordance with the Amended Articles of Incorporation of the Company and as approved by the Board of Directors of the Company through the Enabling Resolutions, the Preferred Shares are Philippine Peso-denominated, cumulative, non-voting, non-participating and non-convertible, each with different features on dividend rate, redemption and adjustment of dividend rate. The number of Preferred Shares to be allocated to each subseries shall be determined by the Board of Directors of the Company. The Company can issue the Preferred Shares only upon full payment by the subscribers of the subscription price for the said shares which shall be ₱1,000.00 per share.

The Preferred Shares shall be issued under a shelf registration, with the specific terms of each tranche of the Offer to be determined by the Company taking into account prevailing market conditions at the time of sale and shall be set out in the relevant Offer Supplement.

The Preferred Shares have a par value of ₱1.00 per share and with the following general features (for the specific terms of the Preferred Shares please refer to the "Terms of the Offer" in the Offer Supplement of the relevant issue tranche):

(a) Dividends – The Board of Directors shall have the sole discretion to declare dividends on the Preferred Shares, provided that the Company has unrestricted retained earnings, and provided that the rate of dividend or formula for determining the same rate shall be indicated in the relevant Enabling Resolutions.

Dividends, if and when declared by the Board of Directors, will be payable once for every Dividend Period on such date set by the Board of Directors at the time of declaration of such dividends (each a "Dividend Payment Date") with reference to the Offer Price, which date shall be any day within the period commencing on (and including) the last day of a Dividend Period and 15 calendar days from the end of the relevant Dividend Period. A "Dividend Period" shall refer to the period commencing on the relevant issue date and having a duration of three (3) months, and thereafter, each of the successive periods of three (3) months commencing on the last day of the immediately preceding Dividend Period up to, but excluding the first day of the immediately succeeding Dividend Period; provided that, the first Dividend Period of the Preferred Shares shall be the period commencing on the relevant issue date and ending on the last day of the then current dividend period for the outstanding Preferred Shares.

The holders of the Preferred Shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on the shares as aforementioned, nor shall they be entitled to any other kind of dividend payment whether cash, property, or stock, other than corresponding to the dividend rate determined by the Board of Directors.

For the terms of the dividend rights on the Preferred Shares, please see “Terms of the Offer” in the Offer Supplement of the relevant issue tranche.

(b) Non-Convertible - The Preferred Shares are not convertible into common shares.

(c) Redemption – The Company has the option, but not the obligation, to redeem all (but not part) of the Preferred Shares at such manner and at a price and time that the Board of Directors shall determine in the Enabling Resolutions for such series of preferred shares. The Preferred Shares, when redeemed, shall not be considered retired and may be re-issued by the Company at a price to be determined by the Board of Directors.

As and if declared by the Board of Directors, the Company may redeem the Preferred Shares on the redemption price determined therefor. The terms of any redemption will be set out in the relevant Offer Supplement.

The Company has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Shares.

(d) Liquidation – In the event of a return of capital in respect of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company but not on a redemption or purchase by the Company of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos, out of the assets of the Company available for distribution to shareholders, together with the holders of any other shares of the Company ranking, as regards repayment of capital, *pari passu* with the Preferred Shares and before any distribution of assets is made to holders of any class of shares ranking after the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Arrears in Dividends, any dividends declared unpaid in respect of the previous dividend period, and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Issuer’s winding up or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Preferred Shares are not paid in full, the holders of such shares will share proportionately in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.

(e) Voting Rights – Holders of the Preferred Shares shall not be entitled to vote except in cases expressly provided by law. Thus, the holders of the Preferred Shares are not eligible, for example, to vote for or elect the Board of Directors of the Company. Holders of the Preferred Shares, however, may vote on matters which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the Articles of Incorporation, such as the following:

- Amendment of the Articles of Incorporation (including any increase or decrease of capital stock);
- Adoption and amendment of By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the Company;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and

- Dissolution of the Company.

(f) Pre-emptive Rights – Holders of the Preferred Shares, shall have no pre-emptive right to any issue or disposition of any share of any class of the Company.

Other Rights and Incidents Relating to the Preferred Shares

The other rights and incidents relating to the Preferred Shares, which may also apply to other classes of shares of the Company, are as follows:

Derivative Suit

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

Appraisal Rights

The Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class or shortening the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the assets of the corporation;
- the extension of corporate term;
- the investment of corporate funds in another corporation or business for any purpose other than the primary purpose for which the corporation was organized; and
- a merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of agreement, is determined by three (3) disinterested persons, one of whom shall be named by the shareholder, one (1) by the corporation, and the third by the two (2) thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Shareholders' Meetings

At the annual meeting or at any special meeting of shareholders of the Company, holders of the Preferred Shares may be asked to approve actions which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the Articles of Incorporation.

Quorum

In all regular and special meetings of stockholders, a quorum will exist if shareholders representing a majority of the capital stock are present in person or by proxy.

Voting

Holders of the Preferred Shares shall not be entitled to vote except in cases expressly provided by law. At any such shareholders' meeting where holders of the Preferred Shares are allowed to vote, each holder of the Preferred Shares shall be entitled to vote in person, or by proxy, all shares held by him which have voting power, upon any matter duly raised in such meeting.

The By-laws of the Company provide that proxies shall be in writing and signed and in accordance with the existing laws, rules and regulations of the SEC. Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than ten days prior to the date of the shareholders' meeting.

Fixing Record Dates

The Board of Directors has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their votes voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. The Board of Directors may, by resolution, direct the stock transfer books of the Company be closed for a period not exceeding 20 days. If the stock and transfer books be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days, immediately preceding such meeting. In lieu of closing the stock and transfer books, the Board may fix in advance a date as a record date which shall in no case be more than thirty (30) days prior to the date of such stockholders' meeting.

Accounting and Auditing Requirements/Rights of Inspection

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board of Directors is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

Changes in Control

There is no provision in the Amended Articles of Incorporation and Amended By-laws of the Company which would delay, deter or prevent a change in control of the Company. There are no existing arrangements to which the Company is a party, or which are otherwise known to the Company that may result in a change in control of the Company.

Share Register

CLC's share register is maintained at the principal office of its share transfer agent, BDO Unibank, Inc. – Trust and Investments Group, Securities Service and Corporate Agencies Department located at the BDO Unibank, Inc. – Trust and Investments Group, Securities Service and Corporate Agencies Department, BDO Corporate Center, 7899 Makati Avenue, Makati City, the Philippines.

Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional Shares. Shareholders may request CLC's stock transfer agent to split their certificates. Shares may also be lodged and maintained under the book-entry system of the PDTC. See "*The Philippine Stock Market*" on page 144of this Preliminary Prospectus.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Sole Issue Manager and Bookrunner, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. The PSE maintains a single unified trading floor in Bonifacio Global City in Taguig City.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120,000,000.00, of which 84,925,686 shares were subscribed and fully paid-up as of October 5, 2018. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds (“**ETF**”), which provides for the listing of ETFs on an ETF Board separate from the PSE’s existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares.

The PSE has a benchmark index, referred to as the PSEi, which reflects the price movements of the 30 largest and most active stocks at the PSE. The PSEi is a free float market capitalization-weighted index.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

In December 2013, the PSE replaced its online disclosure system (“**OdiSy**”) with a new disclosure system, the PSE EDGE. PSE EDGE was acquired from the Korea Exchange and is a fully automated system equipped with a variety of feature to further standardize the disclosure reporting process of listed companies on the PSE, improve investors’ disclosure searching and viewing experience, and enhance overall issuer transparency in the market.

The PSE launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2017, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Table 41: PCOMP Key Statistics

Year	Composite Index	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	216	13,465.1	2,172.5
2016	7,796.2	264	15,253.5	931.7
2017	8,558.4	270	10,337.4	1,199.6

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one-and-a-half-hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. The minimum trading lot for the CLC's Shares is 10 shares. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50.0% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60.0%. All orders breaching the 60.0% static threshold will be rejected by the PSE.

In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20.0% for security cluster A and newly-listed securities; 15.0% for security cluster B; and 10.0% for security cluster C); otherwise, such order will be rejected by the PSE.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("**SCCP**") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

1. Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;

2. Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and,

3. Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("**T+3**"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines, and Maybank Philippines Inc. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement ("**CCCS**") system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, BDO Unibank, Inc.., Rizal Commercial Banking Corporation, Metropolitan Bank and Trust Company, DB, The Hong Kong Shanghai Banking Corporation Limited, Unionbank of the Philippines, and Maybank Philippines Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("**PCD Nominee**"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

1. For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on the listing date.

2. On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

1. The offer shares/securities of the applicant company in the case of an initial public offering;

2. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction;

3. New securities to be offered and applied for listing by an existing listed company; and,

4. Additional listing of securities of an existing listed company.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force at the date of this Preliminary Prospectus and are subject to any changes in law occurring after such date. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

The term "non-resident holder" means a holder of the CLC's Shares:

1. Who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a non-resident foreign corporation; and

2. Should a tax treaty be applicable, whose ownership of CLC's Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Tax Reform for Acceleration and Inclusion ("TRAIN")

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN") took effect. The TRAIN amended provisions of the Republic Act No. 8424 or the National Internal Revenue Code (as amended), including provisions on documentary stamp tax, tax on income and other distributions, capital gains tax on the sale and disposition of shares of stock, estate tax, and donor's tax.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by CLC. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations are generally subject to a final withholding tax at the rate of 30%. The 30% rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if (i) the country in which the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or (ii) if the country of domicile of the non-resident foreign corporation allows a 15% or greater credit equivalent for taxes deemed to have been paid in the Philippines. The withholding tax rate may likewise be reduced under an applicable tax treaty executed between the Philippines and the country of residence or domicile of such non-resident foreign corporation.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (*Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners*, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief (CORTT) Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days.

If the regular tax rate is withheld by the company instead of the reduced rates applicable under a treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Stock dividends distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to capital gains or stock transaction tax, and documentary stamp tax. The capital gains tax is based on gross selling price or fair market value, whichever is higher, less the adjusted basis (taking into account the stock dividends). The stock transaction tax of 0.5% is based on the gross selling price.

The current requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and in BIR Form No. 0901-C. These include proof of tax residence in the country that is a party to the tax treaty. Proof of tax residence consists of a consularized certification from the tax authority of the country of residence of the non-resident stockholder which states that the non-resident shareholder is a tax resident of such country under the applicable tax treaty. If the non-resident shareholder is a juridical entity, an authenticated certificated true copy of its articles of incorporation or articles of association issued by the proper government authority should also be submitted to the BIR in addition to the foregoing.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Table 42: International Tax Treaties on Equities

	Dividends (%)	Stock Transaction tax on sale or disposition effected through the PSE (%)(12)	Capital gains tax due on disposition of shares outside the PSE (%)
Canada	25(1)	0.6	May be exempt(9)
China	15(2)	0.6	May be exempt(9)
France	15(3)	0.6	May be exempt(9)
Germany	15(4)	0.6	5/10(10)
Japan	15(5)	0.6	May be exempt(9)
Singapore	25(6)	0.6	May be exempt(9)
United Kingdom	25(7)	0.6	Exempt(11)
United States	25(1)	0.6	May be exempt(9)

Notes:

(1) *15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.*

(2) *10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends.*

(3) *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.*

(4) *5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.*

(5) *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.*

(6) *15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.*

(7) *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.*

(8) *20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.*

(9) *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*

(10) *Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.*

(11) *Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

(12) *If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.*

When availing of capital gains tax exemption on the sale of shares of stock under a tax treaty, a tax treaty exemption ruling shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a certificate authorizing registration (CAR) from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Sale, Exchange or Disposition of Shares

Capital Gains Tax, If Sale Was Made outside the PSE

Unless an applicable treaty exempts such gains from tax or provides for preferential rates, the net capital gains realized by a citizen, resident alien, non-resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% on net capital gains realized during the taxable year. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption or preferential tax rate under a tax treaty.

The net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to the following rates:

Not over ₱100,000 ………………………………….. 5%
On any amount in excess of ₱100,000………. 10%

The transfer of shares shall not be recorded in the books of a company, unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid, or where applicable, a tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR or other conditions have been met.

Taxes on Transfer of Shares Listed and Traded at the PSE

Unless an applicable treaty exempts the sale from income and/or percentage tax, a sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident shareholder (other than a dealer in securities) is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax.

In addition, Value Added Tax (VAT) of 12% is imposed on the commission earned by the PSE-registered broker and is generally passed on to the client.

Documentary Stamp Tax

The original issue of shares of stock is subject to documentary stamp tax of ₱2.00 for each ₱200 par value, or fraction thereof, of the shares of stock issued. The DST on the issuance of the Offer Shares shall be paid by CLC.

The transfer of shares of stock is subject to a documentary stamp tax of ₱1.50 for each ₱200 par value or a fractional part thereof of the share of stock transferred. The DST is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable by the vendor or the purchaser of the shares. However, the sale, barter or exchange of shares of stock listed and traded at the PSE is exempt from documentary stamp tax.

In addition, the borrowing and lending of securities executed under the securities borrowing and lending program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

Estate and Gift Taxes

The transfer of shares of stock upon the death of a registered shareholder (whether such holder was a citizen of the Philippines or an alien, regardless of residence) to his heirs by way of succession is subject to Philippine estate tax of 6% of the net estate.

Individual and corporate registered shareholders (whether or not citizens or residents of the Philippines), who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such transfer of shares of6% of the total gifts during the year exceeding ₱250,000.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. Estate and gift taxes, however, shall not be collected in respect of the Offer Shares: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or, (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Offer Shares are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Offer Shares exceeded the value of the consideration may be deemed a gift, and donor's taxes may be imposed on the transferor of the Offer Shares, based on Section 100 of the Philippine Tax Code, provided that a transfer of property made in the ordinary course of business (a transaction which is a *bona fide*, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's or estate taxes stated above.

The tax treatment of a non-resident shareholder in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Preliminary Prospectus does not discuss the tax considerations of non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

PHILIPPINE FOREIGN OWNERSHIP AND FOREIGN EXCHANGE CONTROLS

Foreign Ownership Controls

Republic Act No. 7042, or the Foreign Investments Act of 1991 ("**FIA**") liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners may own as much as 100% equity except in areas specified in the Foreign Investment Negative List. The Foreign Investment Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws.

For the purpose of complying with nationality laws, the term "Philippine National" is defined under the FIA as any of the following:

1. A citizen of the Philippines;

2. A domestic partnership or association wholly-owned by citizens of the Philippines;

3. A corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;

4. A corporation organized abroad and registered as doing business in the Philippines under the Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or,

5. A trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation.

A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years. In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Land Ownership

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 5 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

The Company does not own any private land, except for Trans-Asia Shipping's ownership of a parcel of land located at M.J. Cuenco Ave. corner Osmeña Blvd, Brgy. San Nicholas, Cebu City consisting of 1,509.28 SQM and a building constructed thereon with a total floor area of 2,940 SQM which houses Trans-Asia Shipping's main office. Trans-Asia Shipping also owns three (3) container yards located at Quezon Blvd. within Pier 5, North Reclamation Area, Brgy. Cebu Port Center, Cebu City with an aggregate area of 7,889 SQM. The title for a portion of such property, with an aggregate area of 1,989 SQM, is currently in the process of being transferred from Mr. Arthur Kenneth Sy to Trans-Asia Shipping. The titles for the rest of the property is registered under the name of Trans-Asia Shipping.

Operation of Public Utilities

In relation thereto, Section 11 of Article XII of the Philippine Constitution provides that no franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least 60% of whose capital is owned by such citizens.

CLC, through its subsidiaries is engaged inpassengertransport, which is a public utility subject to the nationality restriction discussed above.

Foreign Exchange Regulations

Under current BSP regulations, an investment in listed Philippine securities (such as the Shares) must be registered with the BSP thru a local custodian bank (authorized agent banks or an offshore banking unit) if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such Shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers and money changers to Republic Act No. 9160, or the Anti-Money Laundering Act of 2001, as amended, and requires these nonbank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with the BSP or through an investor’s designated custodian bank on behalf of the BSP. A custodian bank may be any authorized agent bank (as defined below) of the BSP or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. The term “authorized agent bank” refers to all categories of banks, except offshore banking units, duly licensed by the BSP. Applications for registration must be accompanied by: (i) a purchase invoice, subscription agreement and proof of listing on the PSE (either or both); and, (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to Pesos through an authorized agent bank of the BSP in the format prescribed by the BSP.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document from the registering custodian bank and the broker’s sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (i) the BSP registration document from the registering custodian bank; (ii) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (iii) copy of the secretary’s sworn statement on the Board Resolution covering the dividend declaration; and, (iv) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor’s custodian bank.

The foregoing is subject to the power of BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

PLAN OF DISTRIBUTION

CLC plans to issue the Offer Shares to institutional and retail investors in the Philippines through a public offering to be conducted through the Sole Issue Manager and Bookrunner. The Offer does not include an international offering.

Underwriting Commitment

The Sole Issue Manager and Bookrunner has agreed to distribute and sell the Firm Offer Shares at the Offer Price, pursuant to an Underwriting Agreement with the Company dated [•] (the "Underwriting Agreement"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Sole Issue Manager and Bookrunnerhas committed to underwrite the following amount on a firm basis:

Sole Issue Manager and Bookrunner	Underwriting Commitment	Number of Shares
Without Oversubscription Option		
China Bank Capital Corporation	₱3,000,000,000.00	3,000,000
With Oversubscription Option		
China Bank Capital Corporation	₱5,000,000,000.00	5,000,000

Upon the exercise of the Oversubscription Option however, the Sole Issue Manager and Bookrunnerhas committed to underwrite the Offer Shares amounting to 5,000,000 Preferred Shares with a total value of ₱5,000,000,000.00. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to the Company of the net proceeds of the Offer Shares.

The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to [1.0530%] of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to the Sole Issue Manager and Bookrunnerand any commissions to be paid to the selling agents, which shall be equivalent to 0.125% (inclusive of VAT) of the total proceeds of the sale of the Offer Shares by such Trading Participant.

China Bank Capital Corporation

The Sole Issue Manager and Bookrunner is duly-licensed by the SEC to engage in the underwriting or distribution of the Offer Shares. The Sole Issue Manager and Bookrunner may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for the Company or any of its subsidiaries.

The Sole Issue Manager and Bookrunner has no direct relations with the Company in terms of ownership by either of their respective major shareholder/s and has no right to designate or nominate any member of the Board of Directors of the Company.

The Sole Issue Manager and Bookrunner has no contract or other arrangement with the Company by which it may return to the Company any unsold Offer Shares that form part of the Offer.

China Bank Capital Corporation, a subsidiary of China Bank, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. The Sole Issue Manager and Bookrunner also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

Sale and Distribution

The distribution and sale of the Offer Shares shall be undertaken by the Sole Issue Manager and Bookrunnerwho shall sell and distribute the Offer Shares to third party buyers/investors. The Sole Issue Manager and Bookrunner is authorized, in its sole discretion, to organize a syndicate of co-lead managers, co-managers and/or Selling Agents for the purpose of the Offer. In connection with the foregoing, the Sole Issue Manager and Bookrunner may enter into agreements, participation agreements or like agreements with other co-lead managers or co-managers (who may be named or have been named herein) and/or Selling Agents, as necessary. There is nothing in such agreements that allow the Sole Issue Manager and Bookrunner to return to the Company any unsold underwritten Offer Shares.

Of the 5,000,000 Offer Shares subject of the Offer, assuming a fully exercised Oversubscription Option, 80% or 4,000,000 Offer Shares are being offered through the Sole Issue Manager and Bookrunner for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to allot 20% or 1,000,000 Offer Shares for distribution to respective clients of the 132 Trading Participants of the PSE, acting as Selling Agents. Each trading participant shall be allocated 7,575 Offer Shares (computed by dividing the Offer Shares allocated to the trading participants by 132), subject to reallocation as may be determined by the Sole Issue Manager and Bookrunner. The balance of 100 shares shall be allocated by the Sole Issue Manager and Bookrunner among the Trading Participants that have demand in excess of 7,575 Offer Shares. Trading Participants may undertake to purchase more than their allocation of 7,575 Offer Shares. Any requests for Offer Shares in excess of the 7,575 Offer Shares may be satisfied via the reallocation of any Offer Shares not taken up by other Trading Participants.

The Company will not allocate any Offer Shares for Local Small Investors as such is only applicable to initial public offerings.

Prior to close of the Offer Period, any Offer Shares not taken up by the Trading Participants shall be distributed by the Sole Issue Manager and Bookrunner directly to their clients and the general public. All Offer Shares that form part of the Offer not taken up by the Trading Participants, general public, and the Sole Issue Manager and Bookrunner's clients shall be purchased by the Sole Issue Manager and Bookrunner pursuant to the terms and conditions of the Underwriting Agreement.

Term of Appointment

The engagement of the Sole Issue Manager and Bookrunner shall subsist so long as the SEC Permit to Sell relating to the Offer Shares remains valid, unless otherwise terminated pursuant to the Underwriting Agreement.

Manner of Distribution

The Sole Issue Manager and Bookrunner shall, at its discretion, determine the manner by which proposals for subscriptions to, and issuances of, the Offer Shares shall be solicited, with the sale of the Offer Shares to be effected only through the Sole Issue Manager and Bookrunner. The Sole Issue Manager and Bookrunner has been authorized to appoint other entities, in particular, co-lead managers, co-managers and/or Selling Agents, to sell on their behalf.

Expenses

All out-of-pocket expenses, including but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Sole Issue Manager and Bookrunnerin the negotiation and execution of the transaction will be for the account of the Company irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. For a more detailed discussion on this matter, see “Use of Proceeds” in this Preliminary Prospectus.

INTERESTS OF NAMED EXPERTS

The financial statements of the Company as of and for the years ended December 31, 2016 and 2017 were audited by Punongbayan & Araullo. P&A has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to securities of CLC, in accordance with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

The validity of the Offer Shares and other matters concerning the Offer and the tax matters were passed upon for CLC by Atty. Robert Ty of Ponferrada & Ty Law Office, the independent legal and tax counsel of CLC. The independent counsel has no shareholdings or any interest, direct or indirect, in CLC, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of CLC in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The named external auditors and the independent legal and tax counsel have not acted and will not act as promoter, underwriter, voting trustee, officer or employee of CLC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Romulo Mabanta Buenaventura Sayoc & De Los Angeles, CLC's legal counsel, Atty. Robert Ty of Ponferrada & Ty Law Office independent legal counsel to CLC. and Picazo Buyco Tan Fider & Santos, legal counsel to the Sole Issue Manager and Bookrunner.

Each of the foregoing legal counsel has neither shareholdings in CLC nor any right, whether legally enforceable or not, to nominate persons or to subscribe for its securities. None of the legal counsels will receive any direct or indirect interest in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

PHILIPPINE REGULATORY FRAMEWORK

PHILIPPINE CONSTITUTION

The Philippine Constitution, specifically Section 10 of Article XII thereof, provides that the Congress shall, upon the recommendation of the economic and planning agency, when the national interests dictates, reserve to citizens of the Philippines or to corporations or associations at least sixty percent (60%) of whose capital is owned by such citizens, or such higher percentage as Congress may prescribe, certain areas of investments. The Congress shall enact measures that will encourage the formation and operation of enterprises whose capital is wholly owned by Filipinos. In the grant of rights, privileges, and concessions covering the national economy and patrimony, the State shall give preference to qualified Filipinos. The State shall regulate and exercise authority over foreign investments within its national jurisdiction and in accordance with its national goals and priorities.

Republic Act No. 9295 – "Domestic Shipping Act of 2004"

Pursuant to Republic Act No. 9295, otherwise known as the *Domestic Shipping Act of 2004*, the State recognizes that shipping is a necessary infrastructure, which is vital to the economic development of our country. Said law further states that the Philippines needs a strong and competitive domestic merchant fleet owned and controlled by Filipinos or by corporations at least sixty percent (60%) of the capital of which is owned by Filipinos and manned by qualified Filipino officers and crew, which shall: (a) bridge the islands by ensuring safe, reliable, efficient, adequate and economic passenger and cargo service; (b) encourage the dispersal of industry and the economic development of the regional communities by ensuring the availability of regular, reliable and efficient shipping services; (c) ensure the growth of exports by providing necessary, competitive and economical domestic sea linkages, (d) serve as a naval and military auxiliary in times of war and other national emergencies; and, (e) function as an employment support base for our Filipino seafarers. To attain these objectives, it is the policy of the State to: (a) promote Filipino ownership of vessels operated under the Philippine flag; (b) attract private capital to invest in the shipping industry by creating a healthy and competitive investment and operating environment; (c) provide necessary assistance and incentives for the continued growth of the Philippine domestic merchant marine fleet; (d) encourage the improvement and upgrading of the existing domestic merchant marine fleet and Filipino crew to meet international standards; (e) ensure the continued viability of domestic shipping operations; and (f) encourage the development of a viable shipbuilding and ship repair industry to support the expansion and modernization of the Philippine domestic merchant marine fleet and its strict adherence to safety standards which will ensure the seaworthiness of all sea-borne structures.

The Revised Implementing Rules and Regulations of Republic Act No. 9295, in turn provides that owners/operators of ships engaged in other types of operations, for hire or compensation, such as, tug and barge operations, ferry operations/services, either offered by resort/hotel owners and/or catering to tourism and leisure/sports-related activities, as well as companies, associations or individuals who operate ships for their own use but offering their ships, for hire or compensation, whether permanent, occasional or incidental, with general or limited clientele, shall be required to secure a Certificate of Public Convenience (CPC).

Under the 2014 Amendments to the Revised Implementing Rules and Regulations of Republic Act No. 9295, any person, natural or juridical, although not engaged in domestic shipping, which owns or operates ships in the transport of passengers or cargoes, or both, for hire or compensation must likewise secure a CPC.

In relation thereto, Section 11 of Article XII of the Philippine Constitution provides that no franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines, at least sixty percent (60.0%) of whose capital is owned by such citizens; nor shall such franchise, certificate, or authorization be exclusive in character or for a longer period than fifty years. Neither shall any such franchise or right be granted except under the condition that it shall be subject to amendment, alteration, or repeal by the Congress when the common good so requires. The State shall encourage equity participation in public utilities by the general public. The participation of foreign investors in the governing body of any public utility enterprise shall be limited to their proportionate share in its capital, and all the executive and managing officers of such corporation or association must be citizens of the Philippines.

In light of Republic Act No. 10668, or *An Act Allowing Foreign Vessels to Transport and Co-load Foreign Cargoes for Domestic Transshipment and for Other Purposes*, foreign vessels carrying foreign container vans or foreign cargoes are now allowed to engage in the transportation and co-loading of foreign cargoes, and domestic transshipment.

A foreign vessel is defined as a ship registered or documented in a flag registry other than that of the Philippines, while a foreign cargo refers to import or export cargo carried by a foreign vessel. Under R.A. No. 10668, a foreign vessel:

1. Arriving from a foreign port, shall be allowed to carry a foreign cargo to its Philippine port of final destination, after being cleared at its port of entry;
2. Arriving from a foreign port, shall be allowed to carry a foreign cargo by another foreign vessel calling at the same port of entry to the Philippine port of final destination of such foreign cargo;
3. Departing from a Philippine port of origin through another Philippine port to its foreign port of final destination, shall be allowed to carry a foreign cargo intended for export; and,
4. Departing from a Philippine port of origin, shall be allowed to carry a foreign cargo by another foreign vessel through a domestic transshipment port and transferred at such domestic transshipment port to its foreign port of final destination.

For purposes of R.A. No. 10668, an empty foreign container van going to or coming from any Philippine port, or going to or coming from a foreign port, and being transshipped between two (2) Philippine ports shall be allowed. Thus, under Customs Memorandum Order No. 016-16, foreign vessels shall be allowed to load or co-load empty containers in the following instances:

1. From any port in the Philippines to any Philippine Port of Entry for repositioning abroad or for use in the stuffing of Philippine exports;
2. When loading Import Cargo from the Port of Entry or Transshipment Port to the Port of Final Destination; and
3. When loading Export Cargo from the port of origin in the Philippines to another Philippine Port where the same shall be immediately exported or utilized for the stuffing of Philippine exports.

R.A. No. 10668 further provides that foreign vessels shall not be considered as offering a public service and thus fall outside the coverage of R.A. No. 9295.

MARITIME INDUSTRY AUTHORITY

Pursuant to Republic Act No. 9295, the Maritime Industry Authority (MARINA) shall have the power and authority to:

1. Register vessels;
2. Issue Certificates of Public Convenience, or any extensions or amendments thereto, authorizing the operation of all kinds, classes and types of vessels in domestic shipping*: Provided*, that no such Certificate shall be valid for a period of more than twenty-five (25) years;

3. Modify, suspend or revoke at any time, upon notice and hearing, any certificate, license or accreditation it may have issued to any domestic ship operator;
4. Establish and prescribe routes, zones or areas of operations of domestic ship operators;
5. Require any domestic ship operator to provide shipping services to any coastal area, island or region in the country where such services are necessary for the development of the area, to meet emergency sealift requirements, or when public interest so requires;
6. Set safety standards for vessels in accordance with applicable conventions and regulations;
7. Require all domestic ship operators to comply with operational and safety standards for vessels set by applicable conventions and regulations, maintain its vessels in safe and serviceable condition, meet the standards of safety of life at sea and safe manning requirements, and furnish safe, adequate, efficient, reliable and proper service at all times;
8. Inspect all vessels to ensure and enforce compliance with safety standards and other regulations;
9. Ensure that all domestic ship operators shall have the financial capacity to provide and sustain safe, reliable, efficient and economic passenger or cargo service, or both;
10. Determine the impact which any new service shall have to the locality it will serve;
11. Adopt and enforce such rules and regulations which will ensure compliance by every domestic ship operator with required safety standards and other rules and regulations on vessel safety;
12. Adopt such rules and regulations which ensure the reasonable stability of passengers and freight rates and, if necessary, to intervene in order to protect public interest;
13. Hear and adjudicate any complaint made in writing involving any violation of this law or the rules and regulations of the MARINA;
14. Impose such fines and penalties on, including the revocation of licenses of, any domestic ship operator who shall fail to maintain its vessels in safe and serviceable condition, or who shall violate or fail to comply with safety regulations;
15. Investigate any complaint made in writing against any domestic ship operator, or any shipper, or any group of shippers regarding any matter involving violations of the relevant provisions of law;
16. Upon notice and hearing, impose such fines, suspend or revoke certificates of public convenience or other license issued, or otherwise penalize any shipper or group of shippers found violating the provisions of relevant law; and
17. Issue such rules and regulations necessary to implement the provisions of Republic Act No. 9295: Provided, that such rules and regulations cannot change or in any way amend or be contrary to the intent and purpose of said law.

Authority to Operate

The authorization for a domestic ship owner/operator to engage in domestic shipping shall be in the form of a CPC. Such authorization shall only be granted to a qualified domestic ship owner or operator engaged in domestic shipping covering all the ships in its fleet.

Domestic ship owners or operators refer to: (a) citizens of the Philippines; or, (b) Commercial partnership wholly owned by Filipinos; or (c) corporations at least sixty (60%) of the capital of which is owned by Filipinos.

The following elements shall be satisfied for a domestic ship owner or operator to be considered as engaged in "domestic shipping": (a) transports passengers or cargoes, or both; (b) owns or operates ships duly registered and licensed under Philippine law; (c) engages in trade and commerce between and among

Philippine ports and within Philippine territorial or internal waters; (d) provides services for hire or compensation, to a general or limited clientele, whether permanent, occasional or incidental, with or without fixed routes; and (e) offers services for contractual or commercial purposes.

Owners/operators of ships engaged in other types of operations, for hire or compensation, such as, tug and barge operations, ferry operations/services, either offered by resort/hotel owners and/or catering to tourism and leisure/sports-related activities, as well as companies, associations or individuals who operate ships for their own use but offering their ships, for hire or compensation, whether permanent, occasional or incidental, with general or limited clientele, shall be required to secure a CPC.

Under the 2014 Amendments to the Revised Implementing Rules and Regulations of Republic Act No. 9295 and MARINA Circular No. 2011-04, foreign-registered ships may be temporarily used within the national territory upon the issuance by the MARINA of a Special Permit. Such issuance is primarily predicated on the objective of insuring the provision of required shipping services where such is not readily available and suitable from the domestic fleet and when public interest warrants, so as not to prejudice efficient trade and commerce, delivery of critical services/commodities, and infrastructure and development projects. Cognizance is specifically given to oil exploration projects contracted by the government which requires specialized ships not normally available from the domestic fleet. A foreign-registered ship is defined in the MARINA Circular as a ship owned and/or operated by a foreign national or company registered under foreign flag.

There is no age requirement for ships to be temporarily used within the national territory, except for tankers carrying oil in bulk which should not be more than fifteen (15) years old.

All foreign ships covered under this Circular shall be classed by an international organization recognized by their Flag Administration. Further, such foreign ships shall have the Mandatory Marine Insurance to Cover Liabilities Arising from Pollution and Wreck Removal from recognized International Protection and Indemnity Club. The issuance of a Special Permit under this Circular for the carriage of passenger or cargo shall be for a maximum validity period of six (6) months per issuance, but not to exceed one (1) year. Special Permit for other types of foreign ships shall be granted a longer period based on MARINA's evaluation of the temporary character of the need/demand to utilize foreign-registered ships, with a maximum validity period of six (6) months per issuance, but not to exceed two (2) years, beyond which, the foreign ship will be required to be registered under the Philippine flag.

Foreign vessels are likewise allowed under R.A. 10668 to engage in the transportation and co-loading of foreign cargoes, and domestic transshipment. Co-loading refers to agreements between two (2) or more international or domestic sea carriers whereby a sea carrier bound for a specified destination agrees to load, transport, and unload the container van or cargo of another carrier bound for the same destination, while transshipment refers to the transfer of cargo from one (1) vessel or conveyance to another vessel for further transit to complete the voyage and carry the cargo to its final destination. Such foreign vessels are not governed by R.A. No. 9295 as they are not considered as offering a public service, and thus do not fall under the jurisdiction of the MARINA.

Certificate of Public Convenience

The MARINA shall issue CPC and any amendment or extension thereof to domestic ship owners or operators who shall be required to file an Application for issuance of CPC at the Central Office or MARINA Regional Offices.

Every domestic ship owner or operator shall state in its application the service it proposes to offer, whether liner or tramping or both. The domestic ship owner or operator shall indicate in its routes the exact location of the ports of origin and destination. In case there is no port, the applicant shall indicate the barangay, town, beach, sitio in the application. The CPC shall be issued upon compliance with the qualification, jurisdictional and documentary requirements of the MARINA.

The CPC shall be valid for a period of not more than twenty-five (25) years. Chartered ships shall be issued an individual CPC wherein the validity shall be based on the length of the charter agreement or co-terminus with the same. For owned ship, validity of the CPC shall be the validity of the company's CPC but shall be issued based on ship categorization or grouping.

The CPC shall be amended under the following instances: (a) Permanent Addition or Deletion of a route/port/link; or, (b) Permanent Addition/Reduction or Dropping/Replacement of Ship/Fleet or (c) Change in Ship's Name; or (d) Change in the Name of Entity; or (e) Conversion in the type of operation/service; or (f) Change in the type of cargo to be carried; or (g) Change in the hull of the ship and other ship particulars; or (h) Change in Sailing Frequencies/Schedule of Trips; or (i) Change in the Contract Period of Bareboat Chartered Ships; and (j) other analogous instances as may be determined by the MARINA.

A change in the legal personality of the CPC grantee shall require the filing of a new application for CPC. The grantee of a CPC shall ensure the public of regular service in its authorized route or link. Stoppage of operations in a route or link shall not be allowed except under the following grounds: (a) maintenance or drydocking/lay-up; (b) machine or engine trouble; (c) maritime accident/incident; (d) emergency sea lift operation; (e) peace and security problems in the route; (f) port repairs; (g) fortuitous event or force majeure; (h) market forces; and (i) sale of existing ship/fleet. If the stoppage is expected or mandatory, a notice of temporary stoppage of operations shall be filed with the MARINA Office, which issued the CPC, at least fifteen (15) days prior to its effectivity and posting at conspicuous places at the ports, terminals and ships. If the stoppage is unexpected or unscheduled, the notice shall be filed within two (2) days after the stoppage of operation. The notice shall likewise indicate the schedule of resumption of service in the route or link. In both cases, an authorization shall be issued allowing the temporary stoppage of the operation of a particular ship for a specified period. Any unauthorized stoppage of operations for a period of three (3) months shall be considered abandonment of service which shall result to imposition of fines and penalties, without prejudice to cancellation/revocation of its authority to operate subject to due process. If the stoppage is expected or mandatory, a notice of temporary stoppage of operations shall be filed with the MARINA Office which issued the CPC, at least fifteen (15) days prior to its effectivity and posting at conspicuous places at the ports, terminals and ships. An authorized stoppage of operations shall not exceed six (6) months, otherwise, the same shall be considered as abandonment of the authorized route or portions thereof.

Deregulation of the Domestic Shipping Industry

Existing and prospective domestic shipping operators are encouraged to have new investments in the domestic shipping industry and are authorized to establish their own domestic shipping rates, provided that effective competition is fostered, and public interest is served. In fostering a free market shipping environment, the MARINA shall exercise its power to intervene, where it is established after due process that competition is compromised, and public interest is threatened.

The MARINA shall, after due notice and hearing as provided in the existing MARINA Rules of Procedure and its subsequent amendments, intervene under any of the following circumstances: (a) If there is a complaint filed against the ship owner/operator relative to rates charged and/or services rendered; and/or (b) The rates charged are excessive or unreasonable based on MARINA’s monitoring functions.

The MARINA shall determine the validity and veracity of the complaint, through the conduct of, but not limited to the following activities: (a) Evaluation of rates charged; (b) Financial evaluation; (c) Assessment of the quality of service provided, prescribed sailing schedule/frequency or prevailing market conditions; and (d) Market survey.

Appropriate measures may be prescribed to address the complaint and correct such concerns and deficiency/ies resulting therefrom which will be beneficial to both operator and the public. The MARINA shall monitor all shipping operations to ensure that public interest is protected and safeguarded.

Safety Standards

The Philippine Merchant Marine Rules and Regulations ("**PMMRR**") is the regulatory standard being enforced by the MARINA regarding the inspection, survey and marking of vessels. The MARINA is also authorized to use surveyors or organizations to carry out its duties. In the event that the MARINA obtains the service of a surveyor or an organization, it shall be with the power to carry out inspections and surveys if requested by the appropriate authorities of the State and to require repairs for a ship.

All vessels operated by domestic ship operators shall at all times be in seaworthy condition, properly equipped with adequate life-saving, communication, safety and other equipment, operated and maintained in accordance with the standards set by MARINA. All ships must be manned by duly licensed and competent vessel crew and shall comply with qualification standards set by MARINA for seafarers onboard its registered ships. In the exercise of its power to inspect all ships and all equipment on board vessels, the MARINA shall undertake inspections in conformity with the Ship Safety Inspection System ("**SSIS**"), and ensure that all ship owners or operators shall maintain their ships in accordance with operational and safety standards required by existing laws and/or applicable international conventions, codes, rules and regulations for the duration of the ship's operational life.

All ships are required to carry on board the relevant or applicable ship safety certificates issued by the MARINA.

The following are the certificates issued to vessels depending on their class and category:

1. Passenger Ship Safety Certificate
2. Cargo Ship Safety Construction Certificate
3. Minimum Safe Manning Certificate
4. Cargo Ship Safety Equipment Certificate
5. Certificate of Inspection
6. Certificate of Fitness
7. High Speed Craft Safety Certificate
8. Loadline Certificate
9. Tonnage Certificate
10. Radio Telegraphy Certificate or Radio Telephony Certificate
11. Exemption Certificate
12. Other certificates that may be required to be consistent with the provisions of the national laws, rules and regulations and of the International Maritime Conventions and Resolutions.

An Exemption Certificate may be issued to a vessel when it is allowed an exemption under and in accordance with the provisions of the PMMRR.

The MARINA shall issue a Ship Safety Certificate for a specified period of time, but it shall not be more than five (5) years. The Exemption Certificate is valid only for the period of the certificate it relates to, while the

Certificate of Inspection is valid for two (2) years subject to mandatory survey on the first anniversary date of the Certificate of Inspection.

In the event that the authorized surveyor determines that the condition of the vessel does not substantially meet the specific requirements for the provision of ship safety certificates, or the vessels are not in the condition to proceed to sail without imminent danger to the vessel or persons aboard, the authorized surveyor shall instantaneously make sure that corrective actions are taken and should notify the MARINA as soon as possible. In the event that such corrective action is not taken, then the relevant safety certificate shall be revoked immediately. If the vessel is in a port outside the jurisdiction of the MARINA, the port authority of such State shall be notified immediately.

Below are the inspections/surveys to be undertaken and their respective frequencies:

1. Initial survey which is done before the vessel is put in service includes the inspection of the exterior of the ship's bottom.

2. Renewal surveys done at intervals specified by MARINA, but not exceeding five years.

3. Periodic/Intermediate survey is done within three (3) months before or after the second anniversary date or within three (3) months before or after the third anniversary date of the certificate. This will take the place of one of the annual surveys.

4. Annual survey is undertaken within three (3) months before or after each anniversary date of the certificate.

5. Additional survey is only required when the occasion arises.

6. Two inspections of the ship's hull are required within a five (5) year period to include the inspection of the exterior of the ship's bottom.

7. Drydocking of classed vessels is required every two (2) years, and every year for unclassed passenger vessels.

Executive Order No. 909 – Encouraging Investments in Newly Constructed Ships or Brand-new Vessels in the Domestic Shipping Industry by Providing Incentives Therefore

E.O. 909 encourages ship owners and operators to introduce International Association of Classification Societies ("**IACS**") classed brand new or newly constructed vessels that are appropriate and suitable to the weather and sea conditions of the archipelago for the purpose of transporting passengers, cargoes or fuel/oil products on domestic waters in order to bring about safer and more efficient sea transport and improved quality of services.

The following are the incentives given to ship owners and operators in the domestic trade which introduce IACS-classed brand new or newly constructed vessels in their respective authorized or applied routes:

- MARINA can only charge fifty percent (50%) of the regular fees in all application and renewal of ship documents, licenses, certificates and permits during the period of protection for the ship while operating in the applied or authorized routes. If a ship is newly constructed, it can be dry docked after 5 years, not after 2 ½ years;

- Priority in issuance of CPC;

- Route protection;

- Provision for special ramp/berth facility; and
- Exemption from Value-Added-Tax (“VAT”) and other Import Duties and Taxes pursuant to R.A. 9295 and Memorandum Order No. 299 dated March 30, 2009.
- For purposes of recovering its investment, the domestic shipowner or operator granted "Pioneer Status" shall be given protection of investment for a period of six (6) years by imposing a moratorium on the deployment of additional vessels or not allowing other vessels to ply in the applied link/route, subject to certain conditions.

According to MARINA Advisory No. 13-14 or the Expiration of Investment Incentives under RA 9295, the following incentives which MARINA will cease to endorse to the Department of Finance (DOF) are the following, to wit:

1. VAT exemption for the importation and local purchase of passenger and/or cargo vessels of one hundred fifty (150) tons and above, including engine and spare parts of said vessels;

2. VAT exemption for the importation of life saving equipment, safety and rescue equipment and communication and navigational safety equipment, steel plates and other metal plates including marine-grade aluminum plates, used for transport operations; and

3. VAT exemption for the importation of capital equipment, machinery, spare parts, life-saving and navigational equipment, steel plates and other metal plates, including marine-grade aluminum plates to be used in the construction, repair, renovation or alteration of any merchant marine vessel operated or to be operated in the domestic trade.

MARINA CIRCULARS AND ORDERS

Registration of Vessels

All ships of domestic ownership plying the Philippine waters, regardless of size and utilization must be properly registered and issued a Certificate of Philippine Registry (CPR) and Certificate of Ownership (CO). "Domestic ownership” means ownership vested in citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least sixty per centum (60%) of the capital stock or capital of which is wholly owned by citizens of the Philippines.

Ships acquired through bareboat charter under PD 760, as amended, shall be issued a temporary Certificate of Philippine Registry (CPR) co-terminus with the validity of the charter period as approved by MARINA. No Certificate of Ownership (CO) shall be issued to said vessels. A Certificate of Philippine Registry confers upon the vessel the right to engage, consistently with law, in the Philippine coastwise trade and entitles it to the protection of the authorities and the flag of the Philippines in all ports and on the high seas, and at the same time secures to it the same privileges and subjects it to the same disabilities as, under the laws of the Philippines, pertain to foreign-built vessels transferred abroad to citizens of the Philippines.

While ships acquired through importation or bareboat chartering may be issued a Provisional Certificate of Philippine Registry (PCPR) in order to facilitate delivery of said ship from the country of origin to any port in the Philippines. The PCPR issued shall have fixed validities of a maximum of three (3) months or co-terminus with the approved Authority to Import (AI). For newly-built ships, the PCPR shall be issued for conduction purposes only. The application and all necessary supporting documents are to be endorsed by the MARINA to the Department of Foreign Affairs for the issuance of a PCPR by the appropriate embassy or consulate.

Vessels used in domestic operations must be registered at the original homeport, or at the nearest MARINA office. On the other hand, vessels engaged in international trade shall be registered in Manila or in any port designated by the MARINA. This homeport shall be referred to as the Port of Registry.

At present, the MARINA has six (6) accredited local classification societies to class Philippine registered vessels, namely: Philippine Classification Register, Inc., Shipping Classification Standards of the Philippines, Inc., Ocean Register of Shipping, Inc., Philippine Register of Shipping, Inc., Orient Register of Shipping, Inc., and, Filipino Vessels Classification System Association, Inc.

Once a vessel is classed by any of the classification societies, the vessel shall be class-maintained and dry docked in accordance with the schedule prescribed by the rules of the classification society. Tugboats, like other vessels, are also classed and must conform to the safety requirements implemented by the classification society. Presented below are the classification requirements per type of vessel:

Table 43: Vessel Classification Requirements

Vessel Type	Classification Requirements
Passenger-carrying cargo ships 500 GRT and above; passenger high-speed craft	International Classification society
Passenger-carrying ships 500 GRT and above (if vessel is acquired after January 1, 1997); tankers and barges hauling petroleum; petroleum by-products; chemicals and other hazardous cargo (regardless off GRT); Bulk carriers and cargo vessels 500 GRT and above	Any Classification society recognized by MARINA
Other takers and barges 500 GRT and above (imported or chartered); bulk carriers below 500 GRT; cargo vessels below 500 GRT	Any international classification society or local classification society recognized by MARINA. Classification requirement optional effective January 1, 1997 subject to pertinent provisions.
Passenger-carrying ships below 500 GRT	International classification society, classification requirement optional effective January 1, 1997 subject to pertinent provisions.
Other tankers and barges not hauling petroleum or chemicals (imported or chartered); barges locally constructed as of September 20, 1990; non-propelled boat charges over 3 GRT; vessels 3 GRT and below	No Classification requirements

The MARINA shall maintain a registry of vessels to be known as "REGISTER OF PHILIPPINE SHIPS", which shall be maintained and kept open to free inspection by the public during regular office hours.

The Register of Philippine Ships shall contain the following particulars in such form and detail as the MARINA may prescribe: (a) Name of ship; (b) Former names and registry (if applicable); (c) Type of vessel; (d) Call sign; (e) Official Number; (f) IMO Number (if applicable), (g) Material of Hull; (h) Principal Dimensions and Structure (Mast/Decks/Stem/Stern); (i) Tonnage (Gross/Net/Deadweight); (j) Class; (k) Speed; (l) Main engine; (m) Builders/Place of Built; (n) Year built; (o) Name of owner; (p) Name of former owner; and (q) Mode of Acquisition (e.g. imported, bareboat chartered under PD 760, as amended, locally constructed, locally purchased).

The registration of a vessel for domestic trade shall be effected at its homeport while registration of a vessel for overseas trade shall be effected only at the MARINA Central Office.

The following requirements shall have been complied with prior to registration of a vessel, if applicable:

1. Existing Vessels
    a. Letter Application/Request
    b. Proof of Identity of the owner

(i) For Single Proprietorship: DTI Certificate of Registration of Business Name
(ii) For Partnership and Corporation: SEC Certificate of Registration
(iii) For Cooperative: CDA Certificate of Accreditation
(iv) For MARINA Accredited Entities, a Certificate of Accreditation is sufficient

c. Certificate of Construction
d. Tonnage Measurement Certificate
e. Notarized Board Resolution/Secretary's Certificate authorizing the filing of application and designating the person to represent the company in this transaction

2. New building/Second Hand Vessels
   a. Letter Application/Request
   b. Proof of identity of the owner
      (i) For Single Proprietorship: DTI Certificate of Registration of Business Name.
      (ii) For Partnership and Corporation: SEC Certificate of Registration
      (iii) For Cooperative: CDA Certificate of Accreditation
      (iv) For MARINA Accredited Entities a Certificate of Accreditation is sufficient
   c. Approval of Acquisition (Importation)
   d. Clearance for Registration
   e. Tonnage Measurement Certificate
   f. Class Issued Tonnage Measurement Certificate must be re-issued by MARINA
   g. Authorization issued to Classification Society (for new building)
   h. Notarized Board Resolution/Secretary's Certificate authorizing the filing of application and designating the person to represent the company in this transaction
3. Ships acquired through bareboat charter
   a. Letter Application/Request
   b. Proof of identity of the owner
      (i) For Single Proprietorship: DTI Certificate of Registration of Business Name.
      (ii) For Partnership and Corporation: SEC Certificate of Registration
      (iii) For Cooperative: CDA Certificate of Accreditation
      (iv) For MARINA Accredited Entities a Certificate of Accreditation is sufficient
   c. Approval of Acquisition (Bareboat Charter)
   d. Clearance for Registration
   e. Tonnage Measurement Certificate
   f. IMO Number (if applicable)
   g. Notarized Board Resolution /Secretary's Certificate authorizing the filing of application and designating the person to represent the company in this transaction

Existing Vessels

Any rights affecting the vessel, or the ownership thereof shall be registered in the Book of Transfer and Encumbrances provided the same is annotated in the CPR of the vessel.

Vessels registered under the Philippine flag shall be deleted from the Register of Philippine Ships under any of the following circumstances:

1. Exportation of ship due to sale to foreign entity;

2. Expiration of CPR of bareboat chartered ship;
3. Ship breaking/ scrapping/ decommissioning of ship;
4. Total loss as stipulated in a Marine Protest/Report;
5. Non-operational for a period of five (5) years for WHS, PWC, submarines, amphibians and similar type of ships under the class of miscellaneous ships;
6. When the Administration revokes approval of the charter/lease contract for a cause and after due process; or
7. When the Administration, after due process, orders the deletion from the Philippine Registry of any ship found to have violated the government rules and regulation.

Certificate of Ownership

A Certificate of Ownership refers to a certificate issued by the MARINA as evidence of permanent registration of a vessel.

Coastwise License

No vessel shall be allowed to engage in the coastwise trade unless a coastwise license ("**CWL**") is secured from and issued by the MARINA. This license is granted to a vessel authorized to operate in coastal waters or open seas. The coastwise license shall be valid for one (1), two (2), three (3), four (4), five (5), or ten (10) years from the date of issuance depending on the option/request of the shipowner/operator.

The right to engage in the Philippine coastwise trade is limited to vessels carrying a certificate of Philippine registry.

All ports and places in the Philippines shall be opened to vessels lawfully engaged in coastwise trade subject to the provisions of law applicable in particular cases.

All vessels engaged in the coastwise trade shall fly at the main mast the Philippine coastwise emblem, while entering, leaving and in ports during daytime. The emblem shall consist of a rectangular white flag with one blue and red stars ranged from staff to tip in the horizontal median line.

The CWL shall be presented for renewal at the MARINA Central Office or Maritime Regional Office where the owner/ operator resides, or home ported on or before the expiration date thereof. In case the CWL of a vessel expires while underway on the return voyage to the homeport, the owner, master or agent of the vessel shall present said expired licenses for renewal upon arrival. The owner, master or agent of vessel not in operation for any cause shall surrender the license on or before its expiration with the request for deferment or renewal.

Whenever the owner, master or agent of a licensed vessel applies for a transfer of license from one class to another, the corresponding license shall be issued, subject to the submission or compliance with the necessary documentary requirements relevant to the change.

Minimum Safe Manning Certificate

Philippine-registered ships shall be manned by a sufficient number of qualified, competent and certificated officers and ratings who can safely operate the ships at all times. The MARINA shall issue a Minimum Safe Manning Certificate indicating the numbers and licenses/qualifications of the personnel required to be carried, together with any special conditions or other remarks. The Minimum Safe Manning Certificate shall be valid for a period of not more than one (1) year or co-terminus with the safety certificate.

A Certified True Copy of the Minimum Safe Manning Certificate shall be onboard and displayed in a conspicuous place indicating therein the minimum safe manning complement and their corresponding licenses and qualification requirements. In addition, a Crew List, indicating the Officer's and/or Crew's positions and licenses/qualifications, must be attached to the Minimum Safe Manning Certificate.

Masters, officers and ratings performing watch keeping shall meet the certification requirements of MARINA and, where applicable, by the certification requirements of the 1978 STCW Convention, as amended.

Rules on Flag State Administration

MARINA being the flag state administration authority in the Philippines, requires all Philippine registered vessels to comply with the implementation of international safety management, especially that of the SOLAS Convention. On March 5, 2018, the Philippine Senate concurred in the Accession to the Protocol of 1988 Relating to the International Convention for the Safety of Life at Sea, 1974. The accession of the Philippines to the Protocol accorded the country the status of a responsible Flag State which adopts and implements the International Maritime Organization instruments.

The Safety of Life at Sea ("SOLAS") Convention is the most significant international treaty regarding safety of merchant vessels. The SOLAS Convention tackled different aspects of safety at sea, such as minimum standards for the construction and operation of ships, equipment like the Global Maritime Distress Safety System equipment ("GMDSS"), and appropriate manning. As of date, the Convention that is currently implemented is SOLAS 1974 merged with the 1978 protocol or SOLAS 74/78.

SOLAS 74/78 states the responsibilities and authorities of the flag state and the port state. The government of the flag that the vessel sails, or the flag state, has the responsibility to make sure that such vessel abides by the rules and requirements of the SOLAS Convention, and where applicable, the said vessel has the necessary statutory/legal certificates to show its compliance. In the event that a vessel is situated outside its country of registry, the Port State Control Governments or sometimes called the port states, of the other IMO member nations, provided the vessel's flag state is a member of the IMO, have the authority to inspect vessels of other IMO-member countries as long as there is evident proof to doubt the compliance with the requirements of the vessel and/or the equipment. This is also called Port State Control. For example, the Philippines as the flag state of the Company tugs, has the responsibility to ascertain that the tugs are compliant with the SOLAS convention. In case these tugs are located or operating in other IMO-member country, the port state of such country has the right to inspect the Company's tugs if it is compliant with the SOLAS Convention.

Mandatory Carriage of Ship and Crew Documents and Certificates Onboard Ships Engaged in Domestic Voyages / Operations

The following are the mandatory carriage of ship and crew documents and certificates onboard ships engaged in passenger transportation:

1. Certificate of Public Convenience of the Company under R.A. No. 9295;
2. Certificate of Vessel Registry/Ownership;
3. Passenger Ship Safety Certificate;
4. Minimum Safe Manning Certificate;
5. Document of Compliance;
6. Safety Management Certificate;
7. Class Certificate;
8. Load Line Certificate;
9. Stability Certificate;

10. Coastwise License/Bay and River License;
11. Ship Station License;
12. International Oil Pollution Prevention Certificate;
13. National Ship Security Certificate/Exception Certificate;
14. Passenger Insurance Cover;
15. Certificate of Compliance;
16. Approved Ship Plans;
17. Registered Deck Logbook;
18. Registered Engine Logbook;
19. Approved Cargo Securing Manual, as required;
20. Registered Oil Record Book;
21. Registered Waste and Garbage Record Book;
22. Seafarer's Identification and Record Book; and
23. Qualification Document Certificate.

The following are the mandatory carriage of ship and crew documents and certificates onboard ships engaged in tugs, barge and dredger operations:

1. Exemption Certificate or CPC;
2. Certificate of Vessel Registry/Ownership;
3. Cargo Ship Safety Certificate;
4. Minimum Safe Manning Certificate;
5. Document of Compliance;
6. Safety Management Certificate;
7. Class Certificate;
8. Load Line Certificate;
9. Stability Certificate;
10. Coastwise License/Bay and River License;
11. Ship Station License;
12. International Oil Pollution Prevention Certificate;
13. National Ship Security Certificate/Exemption Certificate;
14. Approved Ship Plans;
15. Registered Deck Logbook;
16. Registered Engine Logbook;
17. Registered Oil Record Logbook;
18. Registered Waste and Garbage Record Book;
19. Seafarer's Identification and Record Book; and
20. Qualification Document Certificate.

The following are the mandatory carriage of ship and crew documents and certificates onboard ships engaged in tanker operations:

1. Certificate of Public Convenience of the Company under R.A. No. 9295;
2. Certificate of Vessel Registry/Ownership;

3. Cargo Ship Safety Certificate;
4. Cargo Ship Safety Construction Certificate;
5. Certificate of Fitness, as required;
6. Minimum Safe Manning Certificate;
7. Civil Liability Convention Certificate;
8. Document of Compliance;
9. Safety Management Certificate;
10. Class Certificate;
11. Load Line Certificate;
12. Stability Certificate;
13. Coastwise License/ Bay and River License;
14. Ship Station License;
15. International Oil Pollution Prevention Certificate;
16. National Ship Security Certificate/Exemption Certificate;
17. Approved Ship Plans;
18. Registered Deck Logbook;
19. Registered Engine Logbook;
20. Registered Oil Record Book;
21. Registered Waste and Garbage Record Book;
22. Seafarer's Identification and Record Book; and
23. Qualification Document Certificate.

The following are the mandatory carriage of ship and crew documents and certificates onboard ships engaged in cargo operations:

1. Certificate of Public Convenience of the Company under RA 9295;
2. Certificate of Vessel Registry/Ownership;
3. Cargo Ship Safety Certificate;
4. Minimum Safe Manning Certificate;
5. Document of Compliance;
6. Safety Management Certificate;
7. Class Certificate;
8. Load Line Certificate;
9. Stability Certificate;
10. Coastwise License/Bay and River License;
11. Ship Station License;
12. International Oil Pollution Prevention Certificate;
13. National Ship Security Certificate/Exemption Certificate;
14. Approved Ship Plans;
15. Registered Deck Logbook;
16. Registered Engine Logbook;
17. Registered Oil Record Book;
18. Registered Waste and Garbage Record Book;

19. Seafarer’ Identification and Record Book; and
20. Qualification Document Certificate.

MARINA ADVISORY No. 2017-22 – Revised guidelines for the issuance of Department of Finance (DOF) endorsement to avail of VAT exemption granted under Republic Act (RA) 9337, Amending the National Internal Revenue Code of 1997

MARINA Advisory No. 2017-22 Series of 2017 declares revised guidelines to ensure that only MARINA-accredited domestic ship owners and operators may avail of the incentives of RA 9337, particularly from the exemption of the payment of Value Added Tax (VAT) on the sale, importation or lease of passengers or cargo vessels including engine, equipment and spare parts thereof for domestic or international transport operations.

The following are the qualifications to avail the incentives:

- Sale, importation or lease of IACS Classed passenger vessels of five hundred (500) grossed tons and above, and not more than twenty (20) years old at the time of acquisition;

- Sale, importation or lease of tanker vessels or not more than fifteen (15) years old at the time of acquisition;

- Sale, importation or lease of high-speed passenger vessels of not more than five (5) years old at the time of acquisition;

- Sale, importation or lease of cargo vessels subject to existing rules and regulations; and

- Sale and importation of engine equipment and spare parts of passenger or cargo vessels for domestic or international transport operations

The application for DOF investment and qualification certificate shall be filed simultaneously with the issuance of Authority to Import of the passenger or cargo vessel to be imported. In case of importation engine, equipment and spare parts, a copy of invoice shall be submitted together with the application. The requirements shall be filed and submitted at the Domestic Shipping Service, MARINA Central Office.

Once the MARINA determined that the applicant is entitled for the incentives under RA 9337, it shall issue a Qualification Certificate to the applicant, and endorse the application to DOF, accordingly.

GOVERNMENT AGENCIES

The following government agencies assist in the effective execution of legislation particularly in the domestic shipping industry:

Table 44: Philippine Shipping Industry Regulatory Authorities

Regulatory Authorities	Responsibilities/Duties
Department of Transportation	The DOTr is responsible for the supervision, management and control over the transportation system in the country. Under the DOTr are the attached agencies for the maritime industry including MARINA, PPA and the PCG.
Maritime Industry Authority	MARINA shall be responsible for the formulation and implementation of respective policies for the

Regulatory Authorities	Responsibilities/Duties
	improvement and development of the country's shipping industry
Philippine Coast Guard (**"PCG")**	The PCG is involved in the broader enforcement of maritime laws in the country, especially against smuggling, illegal fishing and privacy. It is also involved in maritime search and rescue missions, as well as the protection of the marine environment.
Philippine Ports Authority	The PPA was created for the planning, development, operations and maintenance of ports or port systems in the country.
Department of Environment and Natural Resources (DENR)	The DENR regulates all kinds of environmental pollution.

PHILIPPINE PORTS AUTHORITY

The Philippine Ports Authority (PPA) is the main government agency to develop, operate and regulate the seaports in the country. Among the objectives of the PPA is to maintain port facilities and ensure the safe maneuvering of vessels at the port through the use of tugs. In general, the PPA requires that foreign and domestic vessels with GRT greater than or equal to 500 metric tons shall acquire tug assistance services. The Captain of a vessel may avail of tug assistance services on vessels with less than 500 GRT, depending on prevailing weather conditions. The PPA issued separate Administrative Orders ("AO") for MICT and the ports of Batangas, CDO, Cebu, Iligan and Davao. In addition, the PPA determines tug assistance requirements per registered GRT of the vessels. The PPA has the main responsibility to ensure the availability of tug assistance in its ports. It shall authorize shipping companies or private entities to provide tug assistance services. No entity is allowed to provide tug assistance unless it has received a PPA-issued permit. However, PPA Administrative Order No. 06-2016 suspended the compulsory tug assistance service in the following ports: Surigao, Dumaguete, Pulupandan, Batangas, MICT, Davao, South harbor, Iloilo, Ozamiz, Iligan, General Santos, Zamboanga, Nasipit, and CDO.

Moreover, PPA has been duly empowered to have police authority within the ports administered by it as may be necessary to carry out its powers and functions and attain its purposes and objectives, without prejudice to the exercise of the functions of the Bureau of Customs and other law enforcement bodies within the area. Such police authority shall include the following:

1. To provide security to cargoes, port equipment, structure, facilities, personnel and documents: Provided, however, that in ports of entry, physical security to import and export cargoes shall be exercised jointly with the Bureau of Customs;
2. To regulate the entry to, exit from, and movement within the port, of persons and vehicles, as wells movement within the port of watercraft;
3. To maintain peace and order inside the port, in coordination with local police authorities;
4. To supervise private security agencies operating within the port area; and
5. To enforce rules and regulations promulgated by the Authority pursuant to law.

The PPA likewise has authority to collect all dues, fees and rates collectible on vessels and cargoes under Title VII but excluding Part VII of the Tariff and Customs Code, regardless of the port or place of call of the vessel, whether on government or private port. It also has the authority to exact reasonable administrative fines in such specific amounts and for such specific violations arising out of the use of the port, as shall be prescribed by its rules and regulations.

Port Ancillary Services

The terms ancillary services shall mean those services other than cargo handling, porterage services and pilotage services performed inside the port, including its harbors/fairways and extensions, involving provision/application/use of equipment, facility, utility, manpower/expertise, and goods.

Port ancillary services include the following:

Port Ancillary Services I:

1. Cargo checking service;
2. Equipment/appliance hire;
3. Vessel maintenance/repair service; and
4. Water disposal services.

Port Ancillary Services II:

1. Bunkering;
2. Canteen service;
3. Cargo surveying service;
4. Chandling;
5. Cleaning service;
6. Container repair;
7. Communication service;
8. Fumigation;
9. Laundering;
10. Lighterage/barging service;
11. Parking/garage services;
12. Reproduction service;
13. Security service;
14. Shops/stores;
15. Transport service;
16. Towing/tugging service;
17. Water suppliers;
18. Water taxi; and
19. Weighbridge/truck scale.

The government's share for the Port Ancillary Services I is not less than ten percent (10.0%) of the gross income derived from the operation of the service, while an annual regulatory fee shall be collected in consideration of the permit to operate granted to a business operator for the Port Ancillary Services II.

Any person, natural or juridical, who is qualified under existing laws to engage in business and existing operators who are not yet holders of PPA permits or those operating on a "holdover capacity", shall apply for a permit to operate ancillary services from the local Port Management Office of the authority where the applicant intends to operate.

The Permit to Operate is generally valid for a period of one (1) year. Renewal applications shall be filed within thirty (30) days before the expiration of the permit. Failure to file within the prescribed period without justifiable reason constitutes a ground for non-extension of the permit to operate ancillary services.

PHILIPPINE COAST GUARD

Pursuant to Republic Act No. 9993, the PCG shall have the following powers and functions:

1. To enforce regulations in accordance with all relevant maritime international conventions, treaties or instruments and national laws for the promotion of safety of life and property at sea within the maritime jurisdiction of the Philippines and conduct port state control implementation;
2. To conduct inspections on all merchant ships and vessels, including but shall not be limited to inspections prior to departure, to ensure and enforce compliance with safety standards, rules and regulations;
3. To detain, stop or prevent a ship or vessel which does not comply with safety standards, rules and regulations from sailing or leaving port;
4. To conduct emergency readiness evaluation on merchant marine vessels; Subject to the approval of the Secretary of the DOTr, to issue and enforce rules and regulations for the promotion of safety and life and property at sea on all maritime-related activities;
5. To coordinate, develop, establish, maintain and operate aids to navigation, vessel traffic system, maritime communications and search and rescue facilities within the maritime jurisdiction of the Philippines;
6. To remove, destroy or tow to port, sunken or floating hazards to navigation, including illegal fish traps and vessels, at or close to sea lanes which may cause hazards to the marine environment;
7. To issue permits for the salvage of vessels and to supervise all marine salvage operations, as wells prescribe and enforce rules and regulations governing the same;
8. To render aid to persons and vessels in distress and conduct search and rescue in marine accidents within the maritime jurisdiction of the Philippines, including the high seas, in accordance with applicable international conventions. In the performance of this function, the PCG may enlist the services of other government agencies and the merchant marine fleet;
9. To investigate and inquire into the causes of all maritime accidents involving death, casualties and damage to properties;
10. To assist in the enforcement and maintenance of maritime security, prevention or suppression of terrorism at sea, and performance of law enforcement functions in accordance with pertinent laws, rules and regulations;
11. To assist in the enforcement of laws on fisheries, immigration, tariff and customs, forestry, firearms and explosives, human trafficking, dangerous drugs and controlled chemicals, transnational crimes and other applicable laws within the maritime jurisdiction of the Philippines;
12. To board and inspect all types of merchant ships and watercrafts in the performance of its functions;
13. To enforce laws and promulgate and administer rules and regulations for the protection of marine environment and resources from offshore sources of pollution within the maritime jurisdiction of the Philippines;
14. To develop oil spill response, containment and recovery capabilities against ship-based pollution;

15. To grant, within its capabilities and consistent with its mandate, requests for assistance of other government agencies in the performance of their functions;
16. To organize, train and supervise the PCG Auxiliary (PCGA) for the purpose of assisting the PCG in carrying out its mandated functions; and
17. To perform such other functions that may be necessary in the attainment of the objectives of Republic Act No. 9993.

Salvage

The PCG has the power to issue permits for the salvage of vessels and to supervise all marine salvage operations, as well as prescribe and enforce rules and regulations governing the same.

The PCG shall regulate, supervise and monitor the conduct of all maritime salvage operations, offshore ship breaking, or vessel scrapping within the waters subject to the jurisdiction of the Philippines.

The PCG shall issue the necessary permits or clearances for the proper conduct of marine salvage operations, offshore ship breaking or scrapping.

Only duly registered salvors by the PCG shall be issued a Survey Permit and Salvage Permit. No registered salvor may conduct salvage operations without prior issuance of a Salvage Permit or an emergency Salvage Permit.

DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES

Under PD 1586, the Philippine Environmental Impact Statement ("**EIS**") system was established to reconcile the exigencies of socio-economic undertakings with requirement of environmental quality in order to achieve an orderly balance between socio-economic growth and environmental protection.

The EIS system requires that an Environmental Impact System be filed with the Environmental Management Bureau ("**EMB**") for every proposed project or undertaking which significantly affects the quality of the environment. For this purpose, the President of the Republic of the Philippines was authorized to declare certain projects, undertakings or areas in the country as environmentally critical. Under Section 4 of PD 1586, no person, partnership or corporation shall undertake any environmentally critical project ("**ECP**") or implement a project within an environmentally critical area ("**ECA**") without first securing an Environmental Compliance Certificate ("**ECC**") from the EMB.

The ECC is a government certification that (i) the proposed project or undertaking will not cause a significant negative environmental impact; (ii) that the proponent has complied with all the requirements of the EIS system and; (iii) that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it will comply with the mitigation measures suggested therein. The ECC contains specific means and conditions that the project proponent has to undertake before and during the operation of a project and in some cases, during the project's abandonment phase to mitigate identified environmental impacts.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("**EGF**") when the ECC is issued to projects determined by the DENR to pose significant public risks to life, health, property and the environment. The EGF is intended to answer for damages caused by such projects as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF shall be used to support activities of a multi-partite monitoring team that will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

On the other hand, if the project does not pose significant impact to the environment or is unlikely to cause adverse environmental impacts, an ECC is not required to be secured. In lieu of an ECC, what may be secured is a Certificate of Non-Coverage ("**CNC**") that is a certification issued by the EMB certifying that based on the submitted project description, the project is not covered by the EIS System and is not required to secure an ECC.

LABOR CODE

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System ("**SSS**"). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act created the National Health Insurance Program ("**NHIP**") to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation ("**PhilHealth**") administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee's salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

HOME DEVELOPMENT FUND

The Home Development Fund Law (R.A. No. 9679) or the Pag-ibig Fund Law created the Home Development Mutual Fund ("HDMF"), national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold up to 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee's monthly compensation and remit the contributions to the HDMF. The Pag-ibig Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

SECURITIES AND EXCHANGE COMMISSION

The Constitution of the Philippines provides that Congress shall not, except by general law, provide for the formation, organization, or regulation of private corporations. Private corporations are incorporated under the Corporation Code of the Philippines and acquire their juridical personality when the SEC issues a certificate of incorporation. As a private corporation, the Company is mandated by law to file its yearly General Information Sheet and Audited Financial Statements with the SEC.

BOARD OF INVESTMENTS

The Philippine Board of Investments ("**BOI**"), an attached agency of Department of Trade and Industry ("**DTI**"), is the lead government agency responsible for the promotion of investments in the Philippines. Taking the lead in the promotion of investments, BOI assists Filipino and foreign investors to venture and prosper in desirable areas of economic activities. Based on 2014 Investment Priority Plan ("**IPP**"), Shipbuilding and Water Transport are considered preferred investment activities.

Shipbuilding covers the construction of ships that are at least 500 GT including the manufacture of parts and components. Moreover, registered enterprises must comply with Department of Labor and Employment ("**DOLE**") Department Circular No. 1 series of 2009 on the Guidelines on Occupational Safety and Health in Shipbuilding, Ship Repair and Shipbreaking Industry. Furthermore, prior to start of commercial operation, the registered enterprise must submit a copy of its License to Operate or its equivalent from the MARINA or other concerned agency

On the other hand, Water Transport covers the following:

1. Domestic/inter-island shipping, i.e. pure cargo, passenger, and passenger-cargo vessel operations including RoRo Terminal System operations.

2. Tankers, High-speed Craft, RoRo Vessels serving primary routes and Passenger/Cargo vessels having gross weight of 150 GT and above may qualify for registration.

Application for registration must be accompanied by an endorsement of the project and proof of accreditation of the shipping enterprise by MARINA. Prior to start of commercial operation, the registered enterprise must submit proof that the vessel is registered with MARINA and a copy of the vessel's Class and Statutory Certificate as required by MARINA. Moreover, RoRo operator/ enterprise serving missionary routes, as indicated in the Certificate of Public Convenience (CPC) issued by MARINA, may qualify for pioneer status.

Water Transport and Shipbuilding activities are entitled to the following incentives as covered under the preferred activity under E.O. 226:

New Project

Project to be established by an existing enterprise along the same line of business as any of its existing operations is considered new.

In addition to income tax holiday, exemption from import duties and taxes for vessels, machineries, spare parts and cargo handling equipment has been extended to the domestic shipping industry under the Investment Priorities Plan ("**IPP**").

Modernization Project

Projects registered under the modernization program shall be considered as expansion projects and may be entitled to three (3) years income tax holiday and other incentives under E.O. 226 applicable to the modernization program.

The general policy on the brand-new equipment also applies to modernization program. However, only the incremental income resulting from modernization shall be entitled to income tax holiday subject to a base figure equivalent to the current operating capacity or sales of the firm at the time of filing of application for registration.

Integrated Logistics

This project will be covered under Shipping/ Shipbuilding activity due to the acquisition of Dry-bulk carriers as long as the vessels are less than 10 years old. The heavy equipment and trucks forms an integral part of the total activity necessary to transport the product from the mine site to the ocean-going vessels.

The general policy on the brand-new equipment shall apply to this project. There can be no assurance that laws and regulations applicable to the Company will not increase the operating cost of its facilities above currently projected levels or require future capital expenditures. Although the Company endeavors to maintain compliance with applicable laws and regulations, the introduction or inconsistent applications or, or changes in laws and regulations applicable to the Company's business could have material adverse effect on its business, financial conditions and results of operations.

LOCAL GOVERNMENTS

The Local Government Code ("**LGC**") establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The LGC general welfare clause states that every local government unit ("**LGU**") shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

An ordinance may be repealed by a subsequent ordinance expressly repealing or declaring it as invalid. An ordinance may also be repealed by implication by a subsequent ordinance that is inconsistent or contrary, in whole or in part, to the previous ordinance. Under the LGC, the *Sangguniang Panlalawigan* (provincial council) has the power to review ordinances passed by a city or municipality council and can declare ordinances invalid, in whole or in part, if it finds that the lower council exceeded its authority in enacting the ordinance.

MATERIAL CONTRACTS

The Company's principal contracts consist of contracts with client-companies for ship management services, charter party agreements, and loan agreements with creditor banks. Besides these, the Company is not part of any other contracts of material importance and outside the normal course of the Company's, including its subsidiaries' business.

I. Credit Line and Surety Agreements

(a) On August 16, 2011, CSC entered into an Omnibus Loan and Security Agreement with BDO Unibank, Inc. as lender, amounting to US$14,500,000.00 for the purpose of partly financing the purchase of a vessel to be registered as "Chelsea Thelma" with a total purchase price of US$19.8 million. The loan is payable in 27 consecutive equal quarterly principal installments starting in August 2012. The loan is subject to quarterly repricing of interest computed at one-year LIBOR plus applicable margin of 3.5% per annum. The loan is secured by a chattel mortgage on certain vessels of CSC with a total net carrying amount of ₱914.0 million and ₱989.6 million as of December 31, 2017 and 2016, respectively, and by a collateral on certain receivables under the Group's Assignment of Charter Party with BDO and guaranteed by certain stockholders of the Group.

(b) On March23, 2013, PNX-Chelsea entered into an Omnibus Loan and Security Agreement with BDO Unibank, Inc. as lender, amounting to US$14,000,000.00 for the purpose of partly financing the purchase of a vessel to be registered as "Chelsea Donatela". CSCserved as corporate surety for the said transaction.

(c) On February 27, 2015, PNX-Chelsea entered into an Omnibus Loan and Security Agreement with BDO Unibank, Inc. as lender, amounting to ₱300,000,000.00 for the purpose of partly financing the purchase of a vessel to be registered as "Chelsea Denise II". Udenna Corporation served as corporate surety for the said transaction while spouses Dennis A. Uy and Cherylyn C. Uy as individual sureties.

(d) On May 23, 2016, PNX-Chelsea entered into loan agreement with CBC amounting to US$8.0 million to finance the acquisition of MT Chelsea Charlize. The loan is subject to annual interest rate of 3.25% and is payable in 24 equal quarterly installments commencing on August 23, 2017.

The loan is secured by a chattel mortgage on MT Chelsea Charlize with net carrying amount of P445.1 million and P460.8 million as of December 31, 2017 and 2016, respectively.

(e) On July 25, 2016 and August 18, 2016, PNX-Chelsea entered into loan agreements with PBB amounting to US$6.5 million and US$7.6 million to finance the acquisition of MT Chelsea Endurance and MT Chelsea Dominance, respectively. On the anniversary year, these loans were converted into Philippine Peso loans. The loans are subject to annual effective interest rate of 6.06% and are payable in 24 equal quarterly installments with one-year grace period from date of each release.

The loans are secured by a chattel mortgage on MT Chelsea Endurance and MT Chelsea Dominance with net carrying amounts totaling ₱731.2 million and ₱763.8 million, respectively, as of December 31, 2017 and 2016.

(f) In 2013, FTC obtained interest-bearing loans from a bank to partially finance the acquisition of tugboats amounting to ₱100.0 million. The loan bears fixed interest rate at 7.0% for the first three years from the initial drawdown date and shall be repriced at the end of the third year from the initial drawdown date (the "Repricing Date"). The repriced rate shall be based on the relevant 2Y PDST-F as of the Repricing Date, plus a spread of 2.0% subject to a floor of 7.0%. The loan is payable in 18 quarterly installments over a period of five years. The first payment will commence on the third interest payment date from the initial drawdown date. The last quarterly installment of the loan is due on November 6, 2018.

Certain trade receivables amounting to ₱27.5 million and ₱20.4 million as of December 31, 2017 and 2016, respectively, were assigned to secure the payment of these interest-bearing loans. Moreover, certain tugboats of FTC with net carrying amounts of ₱247.0 million and ₱155.6 million as of December 31, 2017 and 2016, respectively, were used as collateral to secure the payment of these loans.

(g) On October 30, 2014, CSC entered into loan agreement with DBP amounting to ₱140.0 million to finance the drydocking and repairs and maintenance expenses of MT Chelsea Resolute, MT Chelsea Cherylyn, MT Chelsea Denise and MT Jasaan. The loan is subject to annual interest rate of 5.00% and is payable in eight equal quarterly installments commencing on the first quarter from the initial drawdown.

    In addition, CSC obtained ₱160.0 million loan for CSC's working capital requirements. The loan bears a fixed interest rate of 5.00% per annum and is payable in ten equal quarterly installments commencing on February 28, 2015. These loans have been fully settled as of December 31, 2017.

(h) In 2014, Trans-Asia Shipping availed loans from BDO for the acquisition of Trans-Asia 10 totaling to ₱120.0 million at an interest rate of 4.5% per annum. Also, a loan amounting to ₱79.7 million was obtained from BDO to provide financing to Oceanstar for the purchase of Trans-Asia 8 and 9. Principal and interest payments on these loans are made monthly.

    Trans-Asia made additional loans from BDO totaling to ₱263.5 million in 2016 at an interest rate of 4.25% per annum.Principal payments are made monthly with a grace period of one year and interest on these loans is payable monthly in arrears.

(i) Trans-Asia secured borrowings from CBC in 2010 in the amount of ₱135.0 million. This loan is payable for a term of ten years inclusive of two years grace period at 5.00% per annum. Interest is to be paid quarterly in arrears based on diminishing balance.

    In addition, a loan from CBC amounting to ₱71.1 million was availed in 2015 at an interest rate of 4.50% per annum.Principal is payable monthly with a grace period of two years and interest is payable monthly in arrears based on diminishing balance. This loan is to partially finance the purchase of Trans-Asia 12, a vessel owned by one of its subsidiaries, Oceanstar. These loans have been fully settled as of December 31, 2017.

(j) In 2014, DGMSI obtained loans from UCPB and PBComm to fund its acquisition of secondhand tugboats imported from Japan and Korea for use in the expansion of its business activity. The same loans are collateralized with three of its tugboats acquired and a time deposit placement amounting to ₱5.0 million. These loans have interest rates of ranging from 6.00% to 6.50% per annumand are subject to annual resetting. These loans will mature on various dates in 2019.

(k) In 2016, the Company obtained a ₱1.8 billion loan from CBC to finance the acquisition of the outstanding shares of CSC.The loan is subject to annual interest rate of 4.50% and is payable on a lump sum basis in 181 days. The loan is secured by means of mortgage, pledge, assignment or any other form of encumbrance upon any and all properties or assets of the Company's President and Chairman of the BOD.

In 2017, the Company converted its ₱1.8 billion bank loan to a six-year term loan from China Bank with a grace period of four quarters which commenced on the date of conversion. The principal is payable per quarter amounting to ₱45 million with balloon payment at maturity and shall commence on the quarter after the grace period and the interest shall be paid on arrears. The loan is secured by the same properties as mentioned in the initial bank loan.

(l) In 2017, Trans-Asia entered into a five-year loan facility agreement amounting to ₱300.0 million each with CTBC, MICBC and RBC and ₱200.0 million with FCB to bridge the facility obtained by CSC to fund the acquisition of Trans-Asia and for general working capital purposes. In the same year, Trans-Asia made a drawdown of ₱1,100.0 million loan to bridge the loan obtained by CSC in 2016. The loan is subject to annual interest rate of 6.10% and is payable on quarterly basis. Principal repayments shall be 5% of the loan in the first and second year, 15% in the third and fourth year and 60% in the fifth year of the drawdown. The loan is secured by Trans-Asia shares, a corporate guarantee by Udenna and individual surety of the Company's chairman of the BOD.

(m) In 2015, Starlite entered into a 10-year term loan agreement amounting to ₱1,037.4 million with PBB to finance the acquisition of MV Eagle, MV Archer and MV Saturn. The loans are subject to a fixed interest rate of 7.5% and the principal is payable in arrears.

In 2017, Starlite obtained a 15-year term loan agreement amounting to ₱800.0 million with PBB. The loan is subject to annual interest rate of 7.0% and principal repayments including the interest shall commence on the first quarter after a grace period of one year from the date of availment.

Certain vessels of Starlite with net carrying amounts of ₱1,283.4 million as of December 31, 2017 were used as collateral to secure the payment of these loans.

(n) In 2016 and 2015, Starlite entered into a 15-year term loan agreement amounting to ₱306.0 million and ₱300.0 million, respectively, with DBP to finance the acquisition of MV Pioneer and MV Reliance. The loan is subject to annual interest rate of 6.95% and is payable on a quarterly basis. Principal repayments shall commence after the grace period of three periods.

Certain vessels of Starlite with net carrying amounts of ₱735.9 million as of December 31, 2017 were used as collateral to secure the payment of these loans.

II. Standard Ship Management Services Agreement

(a) On January 10, 2018, Fortis Tugs Corporation signed a one-year ship management agreement with Chelsea Ship Management & Marine Services Corp. with a monthly management fee amounting to ₱450,000.00.

(b) On January 10, 2018, Chelsea Shipping Corp signed a one-year ship management agreement with Chelsea Ship Management & Marine Services Corp. with a monthly management fee amounting to ₱1,700,000.00.

(c) On January 10, 2018, Michael Inc. signed a one-year ship management agreement with Chelsea Ship Management & Marine Services Corp. with a monthly management fee amounting to ₱300,000.00.

(d) On January10, 2018, PNX Chelsea Shipping Corp. signed a one-year ship management agreement with Chelsea Ship Management & Marine Services Corp. with a monthly management fee amounting to ₱1,650,000.00.

(e) OnJuly 11, 2018, Starlite Ferries, Inc. signed a one-year ship management agreement with Chelsea Ship Management & Marine Services Corp. with a monthly management fee amounting to ₱3,300,000.00.

III. Time Charter Party

(a) On March 18, 2016, Chelsea Shipping Corp. as Owner, entered into a Time Charter Party Agreement with Phoenix Petroleum Philippines Inc. as charterer, for the vessel MT Chelsea Resolute with a rate of ₱8,500,000.00 per month, valid for 6 years plus or minus 30 days at Charterer's option.

(b) On January1, 2016, PNX Chelsea Shipping Corp. as Owner, entered into a Time Charter Party Agreement with Phoenix Petroleum Philippines Inc. as charterer, for the vessel MT Chelsea Denise II with a rate of ₱352,500.00 per day hire, valid for 6 years plus or minus 30 days at Charterer's option.

(c) On January 1, 2016, Chelsea Shipping Corp. as Owner, entered into a Time Charter Party Agreement with Phoenix Petroleum Philippines Inc. as charterer, for the vessel MT Chelsea Denise with a rate of ₱5,500.00 per month, valid for 6 years plus or minus 30 days at Charterer's option.

(d) On January 30, 2017, Chelsea Shipping Corporate as Owner, entered into a Fixture Notice and Spot Voyage Charter Agreement with SL Harbor Bulk Terminal Corp. as Charterer, for the vessel of M/T Chelsea with a rate of [₱xx per xx], valid for [xx] at Charterer's option.

IV. Standard Bareboat Charter

(a) On September 5, 2016, StarAsia Shipbroking Ltd. as Shipbroker, Chelsea Shipping Corp. as Owner, and Seagull Marine – Petroleum Corporation as Bareboat Charterer, entered into a BIMCO Standard Bareboat Charter Agreement for the bareboat charter of M/T Chelsea Thelma with a rate of US$4,100.00 per day, rate valid for the first 5 years.

(b) On September 5, 2016, StarAsia Shipbroking Ltd. as Shipbroker, PNX-Chelsea Shipping Corp. as Owner, and Seagull Marine – Petroleum Corporation as Bareboat Charterer, entered into a BIMCO Standard Bareboat Charter Agreement for the bareboat charter of MT Chelsea Donatela with a rate of US$4,100.00 per day, rate valid for the first 5 years.

V. Supply Equipment Lease Agreement

(a) On October1, 2015, Trans-Asia Shipping Lines Inc. as Buyer entered into a Supply Equipment Lease Agreement with Phoenix Petroleum Philippines Inc. as Supplier for SFO 60 and SFO 100 requirements with a term of 2 years, renewable upon mutual agreement by the parties.

VI. Shipbuilding Agreements

(a) On April 25, 2018, Chelsea Logistics Holdings Corp. as Buyer entered into a Shipbuilding Contract with Kegoya Dock Co., LTD. as Builder for one (1) bed/seat Ro-Ro type passenger ferry ship No. S-1190 with delivery date ofNovember 2019.

(b) On April 25, 2018, Chelsea Logistics Holdings Corp. as Buyer entered into a Shipbuilding Contract with Kegoya Dock Co., LTD. as Builder for one (1) bed/seat Ro-Ro type passenger ferry ship No. S-1191 with delivery date of April 2020.

VII. Letter of Agreement and Conformity

(a) On February 11, 2018, Chelsea Logistics Holdings Corp.Del Sol and heirs agreed and conformed to the sale of land in Ligid Tipas, Taguig City covered by TCT No. 164-20180000299.

INDEPENDENT AUDITORS

Punongbayan & Araullo, a member firm of Grant Thornton International Ltd., independent auditors, has audited our financial statements as at and for the years ended December 31,2016 and 2017in accordance with the Philippine Standards on Auditing.

P&A has acted as our external auditor since incorporation. Ramilito L. Nanola is our current audit partner and has served as such since 2016. We have not had any material disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period. P&A has neither shareholdings in us nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in us. P&A will not receive any direct or indirect interest in us or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed to the Company and its subsidiaries for each of the last two fiscal years for professional services rendered by P&A, excluding fees directly related to the Offer.P&A does not provide other services that are not reasonably related to the performance of the audit or review of our financial statements.

	2016	2017
Audit and audit-related Fees	P 2,860,050	P 3,691,500

Audit and audit related fees refer to the professional services rendered by P&A for audit of the Company's annual financial statements and services that are normally provided in connection with statutory and regulatory filings for the said calendar years. The fees presented above include out-of-pocket expenses incidental to the Independent Auditors' services.

In relation to the audit of our combined financial statements, our Manual provides that the Audit and Risk Committee shall, among other activities: (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of our Company; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure our compliance with acceptable auditing and accounting standards and regulations.

Tax and Other Fees

There have been no professional fees related to services rendered by the external auditors for tax accounting, compliance, advice, planning and other form of services during the last two fiscal years.

INDEX TO FINANCIAL STATEMENTS

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